



SAKHISIZWE MUNICIPALITY

Draft

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2017/2018 TO 2019/2020

ANNUAL BUDGET OF
SAKHISIZWE
MUNICIPALITY

2017/18 TO 2019/20
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GDP	Gross domestic product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
IDP	Integrated Development Strategy	PTIS	Public Transport Infrastructure System
IT	Information Technology	RG	Restructuring Grant
kℓ	kilolitre	RSC	Regional Services Council
km	kilometre	SALGA	South African Local Government Association
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		

Part 1 – Annual Budget

1.1 Mayor's Report

The Speaker, Municipal Manager, Councillors, Officials and members of the community:

It is my pleasure to be able to submit to you the integrated development plan for the next five years (2017-2022) as well as the Medium-term Revenue and Expenditure framework (MTREF) for 2017 -19 through for the Sakhisizwe municipal council.

The economic environment in which we as Sakhisizwe Municipality functions, is not easy, considering our high rate of unemployment and poor revenue base, made worse over the past few years, by the downturn in the economy caused by the world economic recession resulting in such negative economic contributors as sky rocketing fuel and food prices.

In the light of these factors over which we have little or no control we are faced as a municipality with a daunting task and the challenge of

- A huge backlogs in service delivery,
- The socio-economic problems of high unemployment and poverty levels.
- And the realisation that solutions to these challenges can potentially be in conflict with or complement each other.

Today I am able to report to you on the progress made in implementing financial controls, processes and procedures resulting in the drafting of a credible IDP and a credible budget linked and driven by our IDP and the national objectives of:

- Service delivery
- Financial viability and management
- Local economic development
- Municipal institutional development and transformation.
- Good governance and public participation

We as Council committed ourselves to lead by example in ensuring strict financial oversight and compliance with the guidelines of National Treasury as set out in circular 51- 85 of the MFMA.

In order to achieve this we as the Council and Executive Committee, committed ourselves to providing leadership based on a culture of honesty, ethical business practices and good governance by exercising our oversight responsibility regarding financial and performance reporting as well as adherence to compliance and implementation of internal controls.

We identified the need to support the Accounting Officer and address the management of the financial affairs of the municipality as a matter of urgency.

Allow me now to highlight areas of focus within our departments:

Strategic management

Our public participation and community involvement is an area in which we pride ourselves on our achievements.

In the new financial year our focus will be on building on our achievements in this area and building on the co-operation between the office of the Mayor and the office of the Speaker through the Strategic Manager to ensure we are a leader in the field of public and community participation.

The strategic plan that we have developed, aligns to the IDP and budget and we will in the year ahead ensure the strategic plan is the basis on which we implement all projects.

Corporate services

Our organogram has been developed to ensure that it is consistent with the needs of the organisation. In the months ahead we will further engage with Labour on the organogram and the filling of vacant positions.

The effectiveness of the governance systems is being assessed and staff within the institution must work in an integrated and focussed manner driven by the IDP.

We are striving that Sakhisizwe Municipality becomes an employer of choice that capacitates both the councillors and staff.

Community services

The areas I wish to highlight within the community services department relate to revenue enhancement and solid waste sites.

The development and establishment of a traffic section within Sakhisizwe municipality has been identified as a source of revenue enhancement coupled to ensuring the safety of our community and to this end we will be starting the process to establish such a department in the new financial year.

The solid waste site and its completion remain a priority and we will continue in the new financial year to access and allocate funds to this critical area within community services.

We have allocated R15 300 million to capital projects under community services.

IPED

The 5 year IDP which has been developed and is tabled for adoption today is a reflection of community, sectoral and stakeholder input and involvement and will be our guide over the remainder of our term of office.

Local economic development is a crosscutting function which requires the involvement of all within the institution.

We have within the spatial development framework of our IDP focussed on potential areas of growth and despite our limited resources, have accessed resources to develop these potential areas of economic growth through LED projects.

We plan to utilise our interactions with business forums to assist them to bring together established and emerging businesses to share experience and ideas.

Infrastructure

The focus of MIG funding will be to ensure that projects are identified within IPED, community and infrastructure to ensure the maximum impact on our community.

The emphasis will be on finalising our road projects and continuing on the electrification of our villages.

We have allocated R14 810 million toward infrastructure, economic and environmental services

Finance

The process is on-going to ensure credible data that forms the basis of our financial reporting and to this end we will ensure that the SEBATA system is implemented and used as a management tool.

As a municipality we are grant dependant and to this end it is necessary to develop a plan for revenue enhancement to reduce our dependence and improve our financial viability. Hence one of the projects under financial viability is the development of a revenue enhancement strategy.

In the new financial year we will look to ward councillors and committees in assisting us with our debt management and will further table to council strategies and plans to improve our current collection and payment rate of 50%.

Budget figures

The budget we table today projects the following:

Increases

The tariff increases on services will be an average of 6%

The electricity increase is 8.00% and is in line with NERSA guidelines.

By-laws and policies

Council has by- laws and policies in place.

Income and expenditure

Operating budget

Total revenue:	R 126 156 644
Total expenditure:	R 101 324 157
Projected surplus:	R 31 470 000

The implication of this is to alert us to the need for strict budget implementation and control during the financial year.

Capital budget:

Grant funding:	R 30 100 000
Own funds:	R 1 370 000

Total capital expenditure: R 31 470 000

I hereby table the Medium term Revenue and Expenditure Framework for 2017/18 for adoption by the Sakhisizwe Council as per the resolutions below:

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CLLR S. NXOZI

MAYOR

1.2 Council Resolutions

It is recommended that the Council consider and adopt the following resolutions for the final annual budget of 2017/18 financial year:

The Council of Sakhisizwe Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) adopts:

- 1.1. The annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budget Summary reflected in Table A1;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by standard classification) reflected in Table A2;
 - 1.1.3. Budgeted Financial Performance (revenue and expenditure by municipal vote) reflected in Table A3;
 - 1.1.4. Budgeted Financial Performance (Revenue and Expenditure) reflected in Table A4;
 - 1.1.5. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source reflected in Table A5 as well as individual capital projects reflected under SA36;
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management, basic service delivery targets and measurable performance objectives are approved as set out in the following tables and supporting tables attached in the budget documentation:
 - 1.2.1. Budgeted Financial Position reflected in Table A6;
 - 1.2.2. Budgeted Cash Flows reflected in Table A7;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation reflected in table A8;
 - 1.2.4. Asset management in Table A9;
 - 1.2.5. Basic service delivery measurement reflected in Table A10;
 - 1.2.6. IDP strategic objectives reflected in Supporting Table SA4-SA6.
2. The Council of Sakhisizwe Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following tariffs as attached in the budget documentation, with effect from 1 July 2018:
 - 2.1. the tariffs for property rates which are increasing on average by 6 %;
 - 2.2. the tariffs for electricity which on average increasing by 8.00 per cent;
 - 2.3. the tariffs for solid waste services which are increasing on average by 6 %.
3. The Council of Sakhisizwe Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) considers and adopts with effect from 1 July 2018 the tariffs for other services, which are increasing on average by 6 per cent, as set out in the attached budget documentation.

4. Council resolves that the budget related policies reflected in Annexure A and listed below are approved for the budget year 2017/18.

- Budget Policy
- Corruption & Fraud Policy
- Credit Control and Debt Collection Policy
- Debt Write-off Policy
- Asset Management Policy
- Indigent Policy
- Investment & Cash Management Policy
- Information Technology Policy
- Rates & Bylaws Policy
- Tariff Policy
- Supply Chain Management Policy
- Interest Reversal Policy
- Loans Policy
- Unforeseen & Unavoidable Expenditure Policy
- Administration of Immoveable Property Policy
- MFMA Delegation Policy

5. To give proper effect to the municipality's annual budget, the Council of Sakhisizwe Municipality resolves that:

5.1. Cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. In addition, the municipality during January 2017 proactively embarked on a strategic long-term financial sustainability exercise in order to ensure that this budgets, as well as future budgets, are compiled to ensure that services to the community remains at high levels without overburdening the consumers of municipal services with excessive tariffs.

The main areas identified by the strategic planning exercise can be summarised as follows:

- Improvement of service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

For each of these risk areas the municipality is compiling business plans in order to prioritise expenditure according to the risk ratings. These business plans will all be implemented over the MTREF period according to available funding; however, in the 2017/2018 financial year limited provision was made for the implementation of the business plans.

The Municipality has also embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. The municipality, however, acknowledges that there can never be too much information and involvement in its interaction with the public at large, and for that reason it is still identified as a major risk area.

National Treasury's MFMA Circulars No. 58, 59, 66 and 85 as well as the Strategic Workshops and IDP consultation processes, were mainly used to guide the compilation of the 2017/18 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The on-going difficulties in the national and local economy;
- Aging roads and electricity infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope;
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in a healthy financial position, however, it needs to at least stabilise and further stride to continuously better its financial position, coupled with acceptable levels of service delivery at affordable tariffs. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality.

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The budget must be spent in full, and all grants should be utilised in full.;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

EC138 Sakhisizwe - Table A1 Budget Summary										
Description	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Property rates	4 711	5 119	5 259	–	5 752	5 752	5 752	5 752	6 091	6 444
Service charges	18 726	13 558	12 759	–	15 076	15 076	15 076	15 076	15 965	16 891
Investment revenue	497	526	976	–	850	850	850	855	905	958
Transfers recognised - operational	49 241	54 219	63 539	–	62 232	62 232	62 232	62 793	63 668	64 710
Other own revenue	21 594	10 386	8 075	–	9 718	9 718	9 718	10 311	10 923	11 429
Total Revenue (excluding capital transfers and contributions)	94 769	83 807	90 609	–	93 628	93 628	93 628	94 787	97 552	100 432
Employee costs	32 250	28 361	28 590	–	37 369	37 369	37 369	39 416	40 006	42 327
Remuneration of councillors	5 433	5 459	6 175	–	6 122	6 122	6 122	6 373	6 749	7 140
Depreciation & asset impairment	10 907	10 618	6 193	–	6 788	6 788	6 788	6 788	7 188	7 590
Finance charges	662	371	315	–	492	492	492	424	449	460
Materials and bulk purchases	6 322	8 619	9 833	–	9 278	9 278	9 278	9 278	9 825	10 395
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	66 583	28 332	51 673	–	37 499	37 499	16 176	39 045	37 900	39 967
Total Expenditure	122 157	81 761	102 780	–	97 548	97 548	76 225	101 324	102 118	107 880
Surplus/(Deficit)	(27 388)	2 047	(12 171)	–	(3 920)	(3 920)	17 403	(6 538)	(4 566)	(7 448)
Transfers recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributions recognised - capital & contributed a	16 563	13 653	20 984	–	17 812	17 812	17 812	31 670	20 359	21 613
Surplus/(Deficit) after capital transfers & contributions	(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166
Capital expenditure & funds sources										
Capital expenditure										
Transfers recognised - capital	–	–	–	–	–	–	–	30 100	22 881	24 286
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	1 370	–	–
Total sources of capital funds	–	–	–	–	–	–	–	31 470	22 881	24 286

Total operating revenue has increased by 1.23 per cent for the 2017/18 financial year when compared to the 2016/17 Adjustments Budget. For the two outer years, operational revenue will increase by 2.91 and 2.95 per cent respectively. The main reason for the increase in revenue is an increase in operational grants.

Total operating expenditure for the 2017/18 financial year has been appropriated at R101 324 million and translates into a budgeted surplus of R25 132 million after capital transfers. When compared to the 2016/17 Adjustments Budget, operational expenditure has increased by 3.96 per cent in the 2017/18 budget and increases by 0.78 and 5.64 per cent for each of the respective outer years of the MTREF. The operating surplus, after capital grant transfers, increased to R25 132 million for the 2017/2018 financial year.

The capital budget is R31 470 million for 2017/18 financial year. The capital programme decreases to R22 881 million for the 2018/19 financial year and to R24 266 million for the 2019/20 financial year.

As indicated above no borrowing for capital projects is planned. The municipality is still well within the limits of its borrowing capacity but will raise very limited loans in the near future in order to curtail possible rising debt servicing costs.

1.4 Operating Revenue Framework

For Sakhisizwe Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue

management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality will also have to seek for funding to develop a revenue enhancement strategy. The latter will assist the municipality to identify areas to improve their revenue collection. In the absence of a revenue enhancement strategy, the following information were used to help the municipality's revenue management

- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure an improved per cent age increase in annual collection rate for property rates and other key service charges. This per cent age is low compared to past history, but is being calculated conservatively due to the signs of financial stress currently being experienced;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increased ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The inflation forecasts for the MTREF period is on average 6.0% per annum. The municipality's aim is to not exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases and which are beyond the control of the municipality hampers this goal.

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):

EC138 Sakhisizwe - Table A1 Budget Summary										
Description	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Property rates	4 711	5 119	5 259	-	5 752	5 752	5 752	5 752	6 091	6 444
Service charges	18 726	13 558	12 759	-	15 076	15 076	15 076	15 076	15 965	16 891
Investment revenue	497	526	976	-	850	850	850	855	905	958
Transfers recognised - operational	49 241	54 219	63 539	-	62 232	62 232	62 232	62 793	63 668	64 710
Other own revenue	21 594	10 386	8 075	-	9 718	9 718	9 718	10 311	10 923	11 429
Total Revenue (excluding capital transfers and contributions)	94 769	83 807	90 609	-	93 628	93 628	93 628	94 787	97 552	100 432

The per cent age revenue from own sources increases during the budget year. In the two outer years of the MTREF the increases in revenue is fairly consistent, except electricity which is projected to increase by much higher per cent ages due to the increases allowed by NERSA. The growth in revenue contributions are indicated below (Excluding Capital Transfers). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

EC138 Sakhisizwe - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	4 711	5 119	5 259	–	5 752	5 752	5 752	5 752	6 091	6 444
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	7 923	10 298	9 208	–	11 385	11 385	11 385	11 385	12 056	12 756
Service charges - water revenue	2	4 618	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	3 362	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	2 822	3 260	3 551	–	3 691	3 691	3 691	3 691	3 909	4 135

Revenue generated from rates and services charges forms a significant per cent age of the revenue basket for the Municipality, but operating grants forms the major funding source.

This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. **Details in this regard are contained below:**

EC138 Sakhisizwe - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
REVENUE ITEMS:											
Property Rates	6										
Total Property Rates		4 711	5 119	5 259		5 752	5 752	5 752	5 752	6 091	6 444
less Revenue Foregone						300	300	300	300	318	336
Net Property Rates		4 711	5 119	5 259	-	5 452	5 452	5 452	5 452	5 773	6 108
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		7 923	10 298	9 208		11 385	11 385	11 385	11 385	12 056	12 756
less Revenue Foregone		1 402		1 550	1 550	1 550	1 550	1 550	1 550	1 641	1 737
Net Service charges - electricity revenue		6 521	10 298	7 658	(1 550)	9 835	9 835	9 835	9 835	10 415	11 019
Service charges - water revenue	6										
Total Service charges - water revenue		4 618									
less Revenue Foregone		259									
Net Service charges - water revenue		4 359	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		3 362									
less Revenue Foregone		492									
Net Service charges - sanitation revenue		2 871	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	6										
Total refuse removal revenue		2 822	3 260	3 551	-	3 691	3 691	3 691	3 691	3 909	4 135
Total landfill revenue											
less Revenue Foregone		648	-	1 200	1 200	1 200	1 200	1 200	700	741	784
Net Service charges - refuse revenue		2 175	3 260	2 351	(1 200)	2 491	2 491	2 491	2 991	3 167	3 351
Other Revenue by source											
Fuel levy											
Other revenue	3	14 596	2 146	1 926	-	3 379	3 379	3 379	3 690	3 907	4 134
Total 'Other' Revenue	1	14 596	2 146	1 926	-	3 379	3 379	3 379	3 690	3 907	4 134

Tariffs for indigent households are set out below:

1	Rates free of charge to the value based on market value of this property to the maximum of R15 000
2	50 kWh free electricity per month
3	Free refuse x 4 removal per month

Operating grants and transfers totals R94 787 million in the 2017/18 financial year and increases to R100 432 million by 2019/20. Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependant on the funding available from the other spheres of Government. The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis. The contribution for Councillors Allowances also increased significantly for the budget year. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

EC138 Sakhisizwe - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		-	-	-	-	-	-	62 401	63 176	64 198
Local Government Equitable Share								59 593	61 476	62 498
Finance Management								1 700	1 700	1 700
Municipal Systems Improvement								-	-	-
Expanded Public Works Programme								1 108	-	-
Integrated National Electrification Programme								-	-	-
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	380	380	402
Local Economic Development (LED) Capacity								-	-	-
Expanded Public Works Programme (EPWP)								-	-	-
Library Subsidies								380	380	402
Cooperative Government & Traditional Affairs								-	-	-
Other transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
Water								-	-	-
Sewerage								-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	-	-	-	-	-	-	62 781	63 556	64 600
Capital Transfers and Grants										
National Government:		-	-	-	-	-	-	20 179	21 430	22 751
Mig								20 179	21 430	22 751
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	-	-	-	-	-	-	20 179	21 430	22 751
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	-	-	-	82 960	84 986	87 351

Revenue from capital transfers as indicated below is growing steadily from R32 960 million in 2017 to R37 351 million in 2019 over the MTREF period.

Total Capital Transfers and Grants	5	-	-	-	-	-	-	20 179	21 430	22 751
TOTAL RECEIPTS OF TRANSFERS & GRANTS		-	-	-	-	-	-	82 960	84 986	87 351

Total revenue per municipal vote, including capital transfers, is listed below:

EC138 Sakhisizwe - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A										
Vote Description R thousand	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote	1									
Council & Executive		2 351	2 960	3 100	–	3 259	3 259	3 368	3 535	3 702
Council		2 351	2 960	3 100	–	3 259	3 259	3 368	3 535	3 702
Executive		–	–	–	–	–	–	–	–	–
Finance & Administration		49 024	59 868	68 082	–	65 201	65 201	67 095	69 392	70 681
Budget & Treasury		48 850	59 774	68 093	–	65 111	65 111	67 005	69 312	70 597
IT Services		–	–	–	–	–	–	–	–	–
Corporate Services		123	–	5	–	15	15	15	–	–
Internal Audit		–	–	–	–	–	–	–	–	–
Property Services		50	94	(16)	–	75	75	75	79	84
Planning & Development		21 593	17 211	22 937	–	19 823	19 823	21 337	21 542	22 861
IPED		236	–	54	–	167	167	50	112	110
PMU		17 393	14 170	21 290	–	14 539	14 539	20 179	21 430	22 751
Planning & Development: Projects		3 964	3 041	1 594	–	5 117	5 117	1 108	–	–
Housing		33	74	125	–	50	50	50	53	56
Housing		33	74	125	–	50	50	50	53	56
Public Safety		1 168	1 373	954	–	2 828	2 828	2 828	2 995	3 169
Traffic		1 168	1 373	954	–	2 828	2 828	2 828	2 995	3 169
Health		–	–	–	–	–	–	–	–	–
Health Administration		–	–	–	–	–	–	–	–	–
Health Clinics		–	–	–	–	–	–	–	–	–
Community Services		465	496	424	–	449	449	449	453	479
Libraries		373	377	373	–	383	383	383	383	405
Cemeteries		18	18	14	–	15	15	15	16	17
Community Halls		31	45	18	–	30	30	30	32	34
Pound		43	56	18	–	21	21	21	22	24
Sport & Recreation		4	–	–	–	1	1	12 501	1	1
General		–	–	–	–	–	–	12 500	–	–
Caravan Parks		4	–	–	–	1	1	1	1	1
Waste Management		4 914	4 717	5 396	–	5 591	5 591	5 591	5 921	6 265
Refuse		4 914	4 717	5 396	–	5 591	5 591	5 591	5 921	6 265
Road Transport		554	30	858	–	2 007	2 007	1 007	1 067	1 128
Roads & Streets		554	30	858	–	2 007	2 007	1 007	1 067	1 128
Electricity		8 235	10 805	9 715	–	11 931	11 931	11 931	12 635	13 368
Electricity		8 235	10 805	9 715	–	11 931	11 931	11 931	12 635	13 368
Water		15 210	–	–	–	–	–	–	–	–
Water		15 210	–	–	–	–	–	–	–	–
Waste Water Management		7 901	–	–	–	–	–	–	–	–
Sewerage		7 901	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	111 452	97 535	111 593	–	111 140	111 140	126 157	117 593	121 710

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The per cent age increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality applies its Credit Control Policy stringently but there are always situations where there are defaults on payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R50 000;
- The limit for indigent household's income is twice the amount of government social pensions.

The municipality investigates a tariff structure consistent with operational requirements but also to ensure that the ratepayers are not over-burdened.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2017/18 financial year based on a general 6 per cent increase from 1 July 2018.

SAKHISIZWE MUNICIPALITY		
BUDGET 2017 - 2018		
TARIFFS & CHARGES - ASSESSMENT RATES		
Description	2017/2018 Cent	2016/2017 Cent
On total value of property	0.004418669	0.004168556
Differential Rating		
Different rates shall be applied to different category of property.		
The choice of rate shall take into consideration socio economic objectives of the municipality.		
Rates shall be charged at the following ratios:		
Special Residential: Ratio 1.0	0.004419	0.004168556
General Residential: Ratio 1.0	0.004419	0.004168556
Industrial: Ratio 1.5	0.006628	0.006252834
Agricultural land for Farming: Ratio 0.25	0.001105	0.001042139
Agricultural land for Eco-Tourism: Ratio 0.25	0.001105	0.001042139
Agricultural land for Trading: Ratio 0.25	0.001105	0.001042139
Business: Ratio 1.5	0.006628	0.006252834
Government Property use by local people only: Ratio 1.5	0.006628	0.006252834
Government Property serving communities in Sakhisizwe and neighbouring municipalities: Ratio 1.5	0.006628	0.006252834
Government Properties that serves national interest Ratio 1.5	0.006628	0.006252834
Increase %	6.00	6.00
Standard Interest rate + 1% would be charged on all late payments.		
Tariffs are applicable throughout SAKHISIZWE Municipality unless indicated otherwise		
The tariff is cents in the rand		

1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 8.00 per cent increase in the Eskom bulk electricity was given by NERSA. However, NERSA has indicated a 8.00% tariff increase to municipalities will be effective from 1 July 2018.

Considering the Eskom increases, the consumer tariff had to be increased by 8.00% per cent to offset the additional bulk purchase cost from 1 July 2018. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ELECTRICITY TARIFFS & CHARGES (Excl VAT)

Standard interest + 1.00% would be charged on all late payments

Implementation subject to NERSA approval

Tariffs are applicable throughout Sakhisizwe Municipality unless indicated otherwise

SAKHISIZWE MUNICIPALITY		
BUDGET 2017 - 2018		
TARIFFS & CHARGES - ELECTRICITY		
Description	2017/2018	2016/2017
<u>Domestic Conventional</u>		
Energy Charge - per Unit (c/kWh) consumed		
Block 1 - 0 - 50 kWh	0.9184	0.8504
Block 2 - 51 - 350 kWh	1.1625	1.0764
Block 3 - 351 - 600 kWh	1.5694	1.4531
Block 4 - > 600	1.8833	1.7438
<u>Domestic Prepaid</u>		
Energy Charge - per Unit (c/kWh) consumed		
Block 1 - 0 - 50 kWh	0.9184	0.85
Block 2 - 51 - 350 kWh	1.1625	1.08
Block 3 - 351 - 600 kWh	1.5694	1.45
Block 4 - > 600	1.8833	1.74
<u>Commercial Tariffs - Small Users 0-59 Amps (Conventional)</u>		
Basic / Availability Charge - per month	277.71	257.14
Energy Charge - per Unit (Kwh) consumed	1.11	1.03
<u>Commercial Tariffs - Small Users 0-59 Amps (Prepaid)</u>		
Basic / Availability Charge - per month	277.71	257.14
Energy Charge - per Unit (Kwh) consumed	1.11	1.03
<u>Commercial Tariffs - Medium Users 60-100 Amps (Conventional)</u>		
Basic / Availability Charge - per month	451.6940	418.24
Energy Charge - per Unit (Kwh) consumed	1.48	1.37
<u>Commercial Tariffs - Medium Users 60-100 Amps (Prepaid)</u>		
Basic / Availability Charge - per month	451.6940	418.24
Energy Charge - per Unit (Kwh) consumed	1.48	1.37
<u>Industrial Large Power Users 0-15 Amp</u>		
Basic / Availability Charge - per month	1 005.03	930.58
Energy Charge - c/kWh	1.11	1.0266
Demand Charge: /kVa	103.84	96.1440
<u>Industrial Large Power Users 16-30 Amp</u>		
Basic / Availability Charge - per month	1 005.03	930.58
Energy Charge - c/kWh	1.11	1.03
Demand Charge: /kVa	117.26	108.5765
<u>Industrial Large Power Users > 100 Amp</u>		
Basic / Availability Charge - per month	1 005.03	930.5801
Energy Charge - c/kWh	1.11	1.0266
Demand Charge: /kVa	143.48	132.8493
<u>Consumer Deposits (to be paid prior connection)</u>		
Domestic / Residential	1 385.20	1 282.59
Businesses / Commercial (Small): 0 - 59 Amp	1 731.50	1 603.24
Businesses / Commercial (Medium): 60 - 100 Amp	2 423.00	2 243.52
Businesses / Commercial (Large): 100 + Amp	3 462.99	3 206.47
<u>Availability Fees</u>		
Electricity	6.46	5.98

Other		
New Connection (to be paid in Advance) - Material & Labour plus	30%	30%
Re-connecting existing connection	250.00	250.00
Re-connecting (after default / disconnection) - 1st Offence	2 000.00	2 000.00
2nd	5 000.00	5 000.00
3rd	5 650.00	5 650.00
4th Criminal Charge - Permanently disconnect	6 780.00	6 780.00
Test Meter (Not Refundable)	150.00	150.00
Increase %	7.64%	9.70%
Standard Interest + 1.00% would be charged on all late payments		
Implementation subject to NER approval		
Tariffs are applicable throughout SAKHISIZWE Municipality unless indicated otherwise		
All Tariffs excludes VAT.		

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to about 10% if possible. The municipality does not make a profit on electricity and must implement ways of achieving a profit, without overburdening the consumers with exorbitant tariffs. The municipality needs to establish the causes for electricity losses.

Electricity line losses should be continuously monitored as it can represent a significant financial loss for the municipality. In general electricity line losses of 10% are being regarded as "acceptable" in the industry and Sakhisizwe Municipality is well above that norm.

Comparison between current electricity charges and increases

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality should comply with this requirement.

1.4.3 Waste Removal and Impact of Tariff Increases

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main cost drivers for this section are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role as cost drivers. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation should be incorporated into the next planning cycle.

Higher increases than inflation will not be viable in 2017/18 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would not only be counter-productive and will result in affordability challenges for individual rates payers raising the risk

associated with bad debt, but also, although on a small scale, not assisting the national government in reaching the CPIX target of between 3 and 6 per cent.

The following table compares current and proposed amounts payable from 1 July 2018:

Comparison between current waste removal fees and increases

SAKHISIZWE MUNICIPALITY		
BUDGET 2017 - 2018		
TARIFFS & CHARGES - REFUSE REMOVAL		
Description	2017/2018	2016/2017
<u>Domestic Consumers</u>		
Per month for one removal per week	67.01	63.22
Additional removal	66.94	63.15
<u>Commercial Consumers Small / Medium</u>		
Per month for two removal per week	137.83	130.03
Additional removal (per load or part thereof)	167.35	157.88
<u>Commercial Consumers Large</u>		
Per month for two removals per week	334.71	315.76
Additional removal (per load or part thereof)	334.71	315.76
<u>Government Departments (Schools, Hostels, SAPS, Prison, Hospitals, etc.</u>		
Per month for two removals per week	669.42	631.52
Additional removal (per load or part thereof)	167.35	157.88
<u>Garden Refuse</u>		
Per load (to be paid in advance)	167.35	157.88
<u>Building Rubble</u>		
Per load (to be paid in advance)	200.82	189.46
<u>Cleaning of Erven</u>	195.13	184.09
<u>Cutting / Cleaning of pavement per erven</u>	47.95	45.23
Increase %	6.00	6%
All tariffs exclude VAT		
Standard Interest rate + 1% would be charged on all late payments.		
Tariffs are applicable throughout SAKHISIZWE Municipality unless indicated otherwise		

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on different households.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to about 6.00%, excluding the electricity adjustments.

EC138 Sakhisizwe - Supporting Table SA14 Household bills											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue & Expenditure			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Rand/cent								% incr.			
Monthly Account for Household - 'Large' Household	1										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		-	-	-	-	-	-	-	-	-	-
VAT on Services											
Total large household bill:		-	-	-	-	-	-	-	-	-	-
% increase/-decrease			-	-	-	-	-		-	-	-
Monthly Account for Household - 'Small' Household	2										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		-	-	-	-	-	-	-	-	-	-
VAT on Services											
Total small household bill:		-	-	-	-	-	-	-	-	-	-
% increase/-decrease			-	-	-	-	-		-	-	-
Monthly Account for Household - 'Small' Household receiving free basic services	3										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		-	-	-	-	-	-	-	-	-	-
VAT on Services											
Total small household bill:		-	-	-	-	-	-	-	-	-	-
% increase/-decrease			-	-	-	-	-		-	-	-

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- Guidance provided by National Treasury in Circulars 58, 59, 66 and 85;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure), as reflected in Table A4:

Expenditure By Type											
Employee related costs	2	32 250	28 361	28 590	–	37 369	37 369	37 369	39 416	40 006	42 327
Remuneration of councillors		5 433	5 459	6 175	–	6 122	6 122	6 122	6 373	6 749	7 140
Debt impairment	3	22 207	568	16 162	–	7 500	7 500	7 500	7 500	7 943	8 403
Depreciation & asset impairment	2	10 907	10 618	6 193	–	6 788	6 788	6 788	6 788	7 188	7 590
Finance charges		662	371	315	–	492	492	492	424	449	460
Bulk purchases	2	6 322	8 619	9 833	–	9 278	9 278	9 278	9 278	9 825	10 395
Other materials	8	4 924	1 422	2 516	–	3 498	3 498	3 498	2 218	2 349	2 485
Contracted services		576	1 752	1 943	–	2 015	2 015	2 015	2 015	2 134	2 226
Transfers and grants											
Other expenditure	4, 5	38 896	24 591	31 052	–	24 486	24 486	3 162	27 312	25 475	26 852
Loss on disposal of PPE		(20)	–	–	–	–	–	–	–	–	–
Total Expenditure		122 157	81 761	102 780	–	97 548	97 548	76 225	101 324	102 118	107 880
Surplus/(Deficit)		(27 388)	2 047	(12 171)	–	(3 920)	(3 920)	17 403	(6 538)	(4 566)	(7 448)
Transfers recognised - capital											
Contributions recognised - capital	6	16 563	13 653	20 984	–	17 812	17 812	17 812	31 670	20 359	21 613
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166
Taxation											
Surplus/(Deficit) after taxation		(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166

The budgeted allocation for employee related costs for the 2017/18 financial year totals R39 416 million, which equals 38.90 per cent of the total operating expenditure. This per cent age remains to 39.17 and 39.23 per cent in the outer years of the MTREF period. Based on the guidance provided by National Treasury in Circular 85 and in the absence on a new collective agreement on increases, salary increases have been factored into this budget at a per cent age increase of average CPI (Feb 2016 – Jan 2017) + 1 per cent.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget. Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January of the Department of Cooperative Governance.

The provision of debt impairment was determined based on an annual collection rate of 15 per cent and the Debt Write-off Policy of the Municipality. For the 2017/18 financial year this amount equates to R7 500 million and escalates to R8 403 million by 2019/20. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R6 788 million for the 2017/18 financial and equates to 6.70 per cent of the total operating expenditure. The average for local

municipalities in recent research is 11.76 per cent, and this small difference indicating that expected useful lives and depreciation rates are realistic.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Electricity bulk purchases represent 9.16 per cent of expenditure and increase to 6.62 per cent and 6.263 per cent in the outer years.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. The municipality's financial systems are, however, not yet ready to implement this change and will be addressed in future budgets.

Main operational expenditure categories for the 2017/18 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2017/18 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented in future budgets.

During the compilation of the 2017/18 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated and changes to be incorporated into the next budget, if not already to the 2017/2018 Adjustments Budget. The table below provides a breakdown of the repairs and maintenance in relation to asset class:

EC138 Sakhisizwe - Supporting Table SA34c Repairs and maintenance expenditure by asset class									
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &	
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure		4 621	1 229	2 099	-	2 606	2 606	1 606	1 701
Infrastructure - Road transport		549	373	1 233	-	2 000	2 000	1 000	1 059
Roads, Pavements & Bridges		549	373	1 233	-	2 000	2 000	1 000	1 059
Storm water									
Infrastructure - Electricity		416	655	682	-	480	480	480	508
Generation									
Transmission & Reticulation		416	655	682	-	480	480	480	508
Street Lighting									
Infrastructure - Water		3 267	-	-	-	-	-	-	-
Dams & Reservoirs									
Water purification									
Reticulation		3 267	-	-	-	-	-	-	-
Infrastructure - Sanitation		261	-	-	-	-	-	-	-
Reticulation		261	-	-	-	-	-	-	-
Sewerage purification									
Infrastructure - Other		129	201	185	-	126	126	126	133
Waste Management		129	201	185	-	126	126	126	133
Transportation	2								
Gas									
Other	3								
Community		18	32	56	-	130	130	130	138
Parks & gardens		2	7	4	-	10	10	10	11
Sportsfields & stadia		15	24	28	-	20	20	20	21
Swimming pools									
Community halls		-	1	23	-	100	100	100	106
Other									
Heritage assets		2 134	4 864	53	50	50	50	50	53
Buildings		2 134	4 864	53	50	50	50	50	53
Other	9								
Investment properties		-	-	-	-	-	-	-	-
Housing development									
Other									
Other assets		235	150	273	-	355	355	425	450
General vehicles		81	40	129	-	110	110	130	138
Specialised vehicles	10								
Plant & equipment									
Computers - hardware/equipment		-	1	3	-	25	25	25	26
Furniture and other office equipment		144	58	134	-	180	180	230	244
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings									
Other Land		10	51	7	-	40	40	40	42
Surplus Assets - (Investment or Inventory)									
Other									
Total Repairs and Maintenance Expenditure	1	7 007	6 275	2 481	50	3 141	3 141	2 211	2 341

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register all indigent households during the 2017/18 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained below

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The Transfer of grants as a result of free basic services totals R2 250 million in the budget year of 2017/18 and increasing to R2 383 million and R2 521 million in the outer years.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

EC138 Sakhisizwe - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure, to be appropriated	2										
Vote1 - Executive and Councillors		479	41	-	-	-	-	-	-	-	-
Vote2 - Municipal Manager		38	-	4 946	100	100	100	100	100	106	112
Vote3 - Budget and Treasury		90	58	9	400	400	400	400	250	265	280
Vote4 - Corporate services		-	-	-	-	-	-	-	-	-	-
Vote5 - Property services		-	-	-	-	-	-	-	-	-	-
Vote6 - Planning and development		-	-	-	-	-	-	-	-	-	-
Vote7 - Housing		-	-	-	-	-	-	-	-	-	-
Vote8 - public safety		-	-	-	-	-	-	-	-	-	-
Vote9 - Health		-	-	-	-	-	-	-	-	-	-
Vote10 - Community services		840	1 662	1 840	2 500	2 400	2 400	2 400	2 800	-	-
Vote11 - Sports and Recreation		-	-	-	1 562	600	600	600	12 500	-	-
Vote12 - Waste Management		3 868	9 359	3 333	-	1 000	1 000	1 000	1 000	1 059	1 120
Vote13 - Road Transport		10 995	9 131	16 185	12 610	10 672	10 672	10 672	14 810	21 441	22 762
Vote14 - Electricity		2 158	-	1 252	2 010	4 010	4 010	4 010	10	11	11
Vote15 - Example 15		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	18 467	20 251	27 566	19 182	19 182	19 182	19 182	31 470	22 881	24 286
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		18 467	20 251	27 566	19 182	19 182	19 182	19 182	31 470	22 881	24 286
Capital Expenditure - Standard											
Governance and administration		1 623	99	4 954	500	500	500	500	350	371	392
Executive and council		517	41	4 946	100	100	100	100	100	106	112
Budget and treasury office		90	58	9	400	400	400	400	250	265	280
Corporate services		1 017	-	-	-	-	-	-	-	-	-
Community and public safety		840	1 662	1 840	4 062	3 000	3 000	3 000	15 300	-	-
Community and social services		840	1 662	1 840	2 500	2 400	2 400	2 400	2 800	-	-
Sport and recreation		-	-	-	1 562	600	600	600	12 500	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		10 995	9 131	16 185	12 610	10 672	10 672	10 672	14 810	21 441	22 762
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		10 995	9 131	16 185	12 610	10 672	10 672	10 672	14 810	21 441	22 762
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		6 025	9 359	4 585	2 010	5 010	5 010	5 010	1 010	1 070	1 132
Electricity		2 158	-	1 252	2 010	4 010	4 010	4 010	10	11	11
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		3 868	9 359	3 333	-	1 000	1 000	1 000	1 000	1 059	1 120
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	19 484	20 251	27 566	19 182	19 182	19 182	19 182	31 470	22 881	24 286
Funded by:											
National Government		-	-	-	-	-	-	-	30 100	22 881	24 286
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	-	-	-	-	-	-	-	30 100	22 881	24 286
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		-	-	-	-	-	-	-	1 370	-	-
Total Capital Funding	7	-	-	-	-	-	-	-	31 470	22 881	24 286

The following table provides more information on the breakdown of the capital budget and the related maintenance of assets.

EC138 Sakhisizwe - Supporting Table SA34a Capital expenditure on new assets by asset class										
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		17 020	18 489	20 771	14 620	15 682	15 682	15 800	22 510	23 894
Infrastructure - Road transport		10 995	9 131	16 185	12 610	10 672	10 672	14 800	21 441	22 762
Roads, Pavements & Bridges		10 995	9 131	16 185	12 610	10 672	10 672	14 800	21 441	22 762
Storm water										
Infrastructure - Electricity		2 158	-	1 252	2 010	4 010	4 010	-	11	11
Generation										
Transmission & Reticulation		2 158	-	1 252	2 010	4 010	4 010	-	11	11
Street Lighting										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Dams & Reservoirs										
Water purification										
Reticulation		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation		-	-	-	-	-	-	-	-	-
Sewerage purification										
Infrastructure - Other		3 868	9 359	3 333	-	1 000	1 000	1 000	1 059	1 120
Waste Management		3 868	9 359	3 333	-	1 000	1 000	1 000	1 059	1 120
Transportation	2								-	-
Gas									-	-
Other	3								-	-
Community		840	1 662	1 840	4 062	3 000	3 000	15 300	-	-
Parks & gardens								-		
Sportsfields & stadia								12 500		
Swimming pools		-	-	-	1 562	600	600			-
Community halls		840	1 662	1 840	2 500	2 400	2 400	2 800	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings								-	-	-
Other	9									
Investment properties		-	-	-	-	-	-	-	-	-
Housing development								-	-	-
Other										
Other assets		1 623	99	4 954	500	500	500	370	371	392
General vehicles								-		
Specialised vehicles	10							20		
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment		1 623	99	4 954	500	500	500	350	371	392
Agricultural assets		-	-	-	-	-	-	-	-	-
List sub-class									-	-
									-	-
Biological assets		-	-	-	-	-	-	-	-	-
List sub-class									-	-
									-	-
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming									-	-
Other (list sub-class)									-	-
Total Capital Expenditure on new assets	1	19 484	20 251	27 566	19 182	19 182	19 182	31 470	22 881	24 286
Specialised vehicles		-	-	-	-	-	-	-	-	-
Refuse									-	-
Fire									-	-
Conservancy									-	-
Ambulances									-	-

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included. This table shows that future operational costs associated with the capital programme totals R31 470 million in 2017/18 and decrease to R22 881 million by 2018/19. This concomitant capital expenditure is expected to escalate to R24 286 million by 2019/20.

EC138 Sakhisizwe - Supporting Table SA35 Future financial implications of the capital budget								
Vote Description	Ref	2017/18 Medium Term Revenue &			Forecasts			
R thousand		Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Present Value
Capital expenditure	1							
Vote1 - Executive & Council		100	106	112				
Vote2 - Finance & Administration		250	265	280				
Vote3 - Planning & Development		-	-	-				
Vote4 - Housing		-	-	-				
Vote5 - Public Safety		-	-	-				
Vote6 - Health		-	-	-				
Vote7 - Community Services		2 800	-	-				
Vote8 - Sport & Recreation		12 500	-	-				
Vote9 - Waste Management		1 000	1 059	1 120				
Vote10 - Road Transport		14 810	21 441	22 762				
Vote11 - Electricity		10	11	11				
Vote12 - Water								
Vote13 - Waste Water Management								
Example 14 - Vote14								
Example 15 - Vote15								
List entity summary if applicable								
Total Capital Expenditure		31 470	22 881	24 286	-	-	-	-
Future operational costs by vote	2							
Vote1 - Executive & Council								
Vote2 - Finance & Administration								
Vote3 - Planning & Development								
Vote4 - Housing								
Vote5 - Public Safety								
Vote6 - Health								
Vote7 - Community Services								
Vote8 - Sport & Recreation								
Vote9 - Waste Management								
Vote10 - Road Transport								
Vote11 - Electricity								
Vote12 - Water								
Vote13 - Waste Water Management								
Example 14 - Vote14								
Example 15 - Vote15								
List entity summary if applicable								
Total future operational costs		-	-	-	-	-	-	-
Future revenue by source	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
List other revenues sources if applicable								
List entity summary if applicable								
Total future revenue		-	-	-	-	-	-	-
Net Financial Implications		31 470	22 881	24 286	-	-	-	-

1.7 Annual Budget Tables

(The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.)

EC138 Sakhisizwe - Table A1 Budget Summary										
Description	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Property rates	4 711	5 119	5 259	-	5 752	5 752	5 752	5 752	6 091	6 444
Service charges	18 726	13 558	12 759	-	15 076	15 076	15 076	15 076	15 965	16 891
Investment revenue	497	526	976	-	850	850	850	855	905	958
Transfers recognised - operational	49 241	54 219	63 539	-	62 232	62 232	62 232	62 793	63 668	64 710
Other own revenue	21 594	10 386	8 075	-	9 718	9 718	9 718	10 311	10 923	11 429
Total Revenue (excluding capital transfers and contributions)	94 769	83 807	90 609	-	93 628	93 628	93 628	94 787	97 552	100 432
Employee costs	32 250	28 361	28 590	-	37 369	37 369	37 369	39 416	40 006	42 327
Remuneration of councillors	5 433	5 459	6 175	-	6 122	6 122	6 122	6 373	6 749	7 140
Depreciation & asset impairment	10 907	10 618	6 193	-	6 788	6 788	6 788	6 788	7 188	7 590
Finance charges	662	371	315	-	492	492	492	424	449	460
Materials and bulk purchases	6 322	8 619	9 833	-	9 278	9 278	9 278	9 278	9 825	10 395
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	66 583	28 332	51 673	-	37 499	37 499	16 176	39 045	37 900	39 967
Total Expenditure	122 157	81 761	102 780	-	97 548	97 548	76 225	101 324	102 118	107 880
Surplus/(Deficit)	(27 388)	2 047	(12 171)	-	(3 920)	(3 920)	17 403	(6 538)	(4 566)	(7 448)
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed a	16 563	13 653	20 984	-	17 812	17 812	17 812	31 670	20 359	21 613
Surplus/(Deficit) after capital transfers & contributions	(10 825)	15 700	8 813	-	13 892	13 892	35 215	25 132	15 792	14 166
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(10 825)	15 700	8 813	-	13 892	13 892	35 215	25 132	15 792	14 166
Capital expenditure & funds sources										
Capital expenditure										
Transfers recognised - capital	-	-	-	-	-	-	-	30 100	22 881	24 286
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	1 370	-	-
Total sources of capital funds	-	-	-	-	-	-	-	31 470	22 881	24 286
Financial position										
Total current assets	16 131	12 419	11 299	15 124	15 124	15 124	15 124	15 986	16 929	17 911
Total non current assets	128 895	205 366	205 176	218 308	218 308	218 308	218 308	231 624	245 290	259 517
Total current liabilities	24 175	22 726	20 047	21 020	21 020	21 020	21 020	19 964	20 373	20 943
Total non current liabilities	4 593	6 407	7 170	7 628	7 628	7 628	7 628	8 094	8 571	9 068
Community wealth/Equity	-	154 863	170 637	181 558	181 558	181 558	181 558	192 633	203 998	215 830
Cash flows										
Net cash from (used) operating	47 965	25 505	21 742	46 786	46 786	46 786	46 786	16 564	14 712	12 914
Net cash from (used) investing	(19 275)	(18 317)	(27 566)	(29 330)	(29 330)	(29 330)	(29 330)	(31 119)	(32 955)	(34 866)
Net cash from (used) financing	3 827	(2 844)	3 926	3 139	3 139	3 139	3 139	3 330	3 527	3 731
Cash/cash equivalents at the year end	32 517	36 861	34 964	55 559	76 154	96 749	117 344	106 119	91 403	73 182
Cash backing/surplus reconciliation										
Cash and investments available	11 743	4 537	-	1 000	1 000	1 000	1 000	1 000	1 059	1 120
Application of cash and investments	(8 665)	(15 418)	(14 920)	(15 874)	(15 874)	(15 874)	(15 874)	(16 843)	(17 837)	(18 871)
Balance - surplus (shortfall)	20 408	19 955	14 920	16 874	16 874	16 874	16 874	17 843	18 896	19 992
Asset management										
Asset register summary (WDV)	19 484	20 251	27 566	19 182	19 182	19 182	19 182	31 470	22 881	24 286
Depreciation & asset impairment	10 907	10 618	6 193	-	6 788	6 788	6 788	6 788	7 188	7 590
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	7 007	6 275	2 481	50	3 141	3 141	3 141	2 211	2 341	2 476
Free services										
Cost of Free Basic Services provided	2 050	-	2 750	1 550	4 929	4 929	4 929	2 250	2 383	2 521
Revenue cost of free services provided	-	-	-	-	300	300	300	300	318	336
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. There is no provision for any borrowing in the cash flows;
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was paying much attention to managing this aspect of its finances, and consequently all of its obligations are cash-backed.
5. Significant assistance is being given to the indigent households.

EC138 Sakhisizwe - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)										
Standard Classification Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Standard										
Municipal governance and administration		51 375	62 828	71 182	-	68 460	68 460	70 463	72 927	74 383
Executive and council		2 351	2 960	3 100	-	3 259	3 259	3 368	3 535	3 702
Mayor and Council		2 351	2 960	3 100	-	3 259	3 259	3 368	3 535	3 702
Municipal Manager		-	-	-	-	-	-	-	-	-
Budget and treasury office		48 850	59 774	68 093	-	65 111	65 111	67 005	69 312	70 597
Corporate services		174	94	(11)	-	90	90	90	79	84
Human Resources		123	-	5	-	15	15	15	-	-
Information Technology		-	-	-	-	-	-	-	-	-
Property Services		50	94	(16)	-	75	75	75	79	84
Other Admin		-	-	-	-	-	-	-	-	-
Community and public safety		1 670	1 944	1 504	-	3 327	3 327	15 827	3 501	3 704
Community and social services		465	496	424	-	449	449	449	453	479
Libraries and Archives		373	377	373	-	383	383	383	383	405
Museums & Art Galleries etc										
Community halls and Facilities		31	45	18	-	30	30	30	32	34
Cemeteries & Crematoriums		18	18	14	-	15	15	15	16	17
Other Social		43	56	18	-	21	21	21	22	24
Sport and recreation		4	-	-	-	1	1	12 501	1	1
Public safety		1 168	1 373	954	-	2 828	2 828	2 828	2 995	3 169
Other		1 168	1 373	954	-	2 828	2 828	2 828	2 995	3 169
Housing		33	74	125	-	50	50	50	53	56
Economic and environmental services		22 147	17 241	23 795	-	21 830	21 830	22 344	22 609	23 989
Planning and development		21 593	17 211	22 937	-	19 823	19 823	21 337	21 542	22 861
Economic Development/Planning		236	-	54	-	167	167	50	112	110
Town Planning/Building enforcement		21 357	17 211	22 884	-	19 656	19 656	21 287	21 430	22 751
Licensing & Regulation										
Road transport		554	30	858	-	2 007	2 007	1 007	1 067	1 128
Roads		554	30	858	-	2 007	2 007	1 007	1 067	1 128
Trading services		36 259	15 522	15 111	-	17 523	17 523	17 523	18 557	19 633
Electricity		8 235	10 805	9 715	-	11 931	11 931	11 931	12 635	13 368
Electricity Distribution		8 235	10 805	9 715	-	11 931	11 931	11 931	12 635	13 368
Water		15 210	-	-	-	-	-	-	-	-
Water Distribution		15 210	-	-	-	-	-	-	-	-
Waste water management		7 901	-	-	-	-	-	-	-	-
Sewerage	Total	7 901	-	-	-	-	-	-	-	-
Waste management		4 914	4 717	5 396	-	5 591	5 591	5 591	5 921	6 265
Solid Waste		4 914	4 717	5 396	-	5 591	5 591	5 591	5 921	6 265
Total Revenue - Standard	2	111 452	97 535	111 593	-	111 140	111 140	126 157	117 593	121 710
Expenditure - Standard										
Municipal governance and administration		43 100	33 546	47 250	-	46 747	46 747	50 958	49 945	52 711
Executive and council		13 702	12 895	13 989	-	16 540	16 540	17 138	16 414	17 364
Mayor and Council		11 927	10 937	12 056	-	12 287	12 287	12 778	13 532	14 316
Municipal Manager		1 775	1 958	1 933	-	4 253	4 253	4 359	2 882	3 049
Budget and treasury office		20 023	10 198	20 867	-	16 743	16 743	18 802	17 643	18 568
Corporate services		9 376	10 453	12 394	-	13 464	13 464	15 018	15 888	16 778
Human Resources		6 652	7 611	9 455	-	9 714	9 714	11 472	12 133	12 806
Information Technology		396	1 075	1 015	-	1 149	1 149	1 221	1 293	1 368
Property Services		1 895	1 331	1 271	-	1 533	1 533	1 202	1 273	1 346
Other Admin		433	437	652	-	1 069	1 069	1 123	1 189	1 258
Community and public safety		5 363	6 782	7 168	-	8 281	8 281	8 679	9 191	9 709
Community and social services		2 830	3 750	3 882	-	4 757	4 757	4 986	5 281	5 572
Libraries and Archives		756	874	784	-	836	836	862	913	966
Museums & Art Galleries etc										
Community halls and Facilities		395	912	976	-	1 494	1 494	1 570	1 663	1 744
Cemeteries & Crematoriums		124	244	265	-	304	304	320	339	358
Other Community		1 556	1 721	1 857	-	2 123	2 123	2 235	2 367	2 504
Sport and recreation		125	68	42	-	44	44	44	47	49
Public safety		2 032	2 555	2 800	-	2 969	2 969	3 106	3 289	3 480
Other		2 032	2 555	2 800	-	2 969	2 969	3 106	3 289	3 480
Housing		376	409	443	-	511	511	543	575	608
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		24 881	21 569	20 345	-	17 847	17 847	16 853	16 682	17 649
Planning and development		7 319	8 122	7 647	-	6 748	6 748	6 949	6 195	6 554
Economic Development/Planning		1 982	1 691	1 818	-	3 077	3 077	2 999	2 964	3 136
Town Planning/Building enforcement		5 337	6 431	5 829	-	3 670	3 670	3 950	3 230	3 417
Licensing & Regulation										

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

EC138 Sakhisizwe - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A										
Vote Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote	1									
Council & Executive		2 351	2 960	3 100	–	3 259	3 259	3 368	3 535	3 702
Council		2 351	2 960	3 100	–	3 259	3 259	3 368	3 535	3 702
Executive		–	–	–	–	–	–	–	–	–
Finance & Administration		49 024	59 868	68 082	–	65 201	65 201	67 095	69 392	70 681
Budget & Treasury		48 850	59 774	68 093	–	65 111	65 111	67 005	69 312	70 597
IT Services		–	–	–	–	–	–	–	–	–
Corporate Services		123	–	5	–	15	15	15	–	–
Internal Audit		–	–	–	–	–	–	–	–	–
Property Services		50	94	(16)	–	75	75	75	79	84
Planning & Development		21 593	17 211	22 937	–	19 823	19 823	21 337	21 542	22 861
IPED		236	–	54	–	167	167	50	112	110
PMU		17 393	14 170	21 290	–	14 539	14 539	20 179	21 430	22 751
Planning & Development Projects		3 964	3 041	1 594	–	5 117	5 117	1 108	–	–
Housing		33	74	125	–	50	50	50	53	56
Housing		33	74	125	–	50	50	50	53	56
Public Safety		1 168	1 373	954	–	2 828	2 828	2 828	2 995	3 169
Traffic		1 168	1 373	954	–	2 828	2 828	2 828	2 995	3 169
Health		–	–	–	–	–	–	–	–	–
Health Administration		–	–	–	–	–	–	–	–	–
Health Clinics		–	–	–	–	–	–	–	–	–
Community Services		465	496	424	–	449	449	449	453	479
Libraries		373	377	373	–	383	383	383	383	405
Cemeteries		18	18	14	–	15	15	15	16	17
Community Halls		31	45	18	–	30	30	30	32	34
Pound		43	56	18	–	21	21	21	22	24
Sport & Recreation		4	–	–	–	1	1	12 501	1	1
General		–	–	–	–	–	–	12 500	–	–
Caravan Parks		4	–	–	–	1	1	1	1	1
Waste Management		4 914	4 717	5 396	–	5 591	5 591	5 591	5 921	6 265
Refuse		4 914	4 717	5 396	–	5 591	5 591	5 591	5 921	6 265
Road Transport		554	30	858	–	2 007	2 007	1 007	1 067	1 128
Roads & Streets		554	30	858	–	2 007	2 007	1 007	1 067	1 128
Electricity		8 235	10 805	9 715	–	11 931	11 931	11 931	12 635	13 368
Electricity		8 235	10 805	9 715	–	11 931	11 931	11 931	12 635	13 368
Water		15 210	–	–	–	–	–	–	–	–
Water		15 210	–	–	–	–	–	–	–	–
Waste Water Management		7 901	–	–	–	–	–	–	–	–
Sewerage		7 901	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	111 452	97 535	111 593	–	111 140	111 140	126 157	117 593	121 710

Expenditure by Vote	1									
Council & Executive		17 769	17 338	18 661	–	21 480	21 480	22 287	21 867	23 134
Council		11 196	9 770	10 802	–	10 905	10 905	11 299	11 966	12 660
Executive		6 573	7 568	7 859	–	10 575	10 575	10 988	9 901	10 474
Finance & Administration		27 378	18 215	30 779	–	27 749	27 749	31 298	30 860	32 520
Budget & Treasury		18 633	8 713	19 446	–	15 426	15 426	17 486	16 249	17 093
IT Services		396	1 075	1 015	–	1 149	1 149	1 221	1 293	1 368
Corporate Services		6 021	6 660	8 394	–	8 572	8 572	10 266	10 856	11 454
Internal Audit		433	437	652	–	1 069	1 069	1 123	1 189	1 258
Property Services		1 895	1 331	1 271	–	1 533	1 533	1 202	1 273	1 346
Planning & Development		6 227	7 079	6 501	–	5 320	5 320	5 440	4 596	4 862
IPED		1 894	1 691	1 818	–	2 833	2 833	2 741	2 690	2 846
PMU		811	374	194	–	805	805	859	909	962
Planning & Development: Projects		3 522	5 014	4 488	–	1 683	1 683	1 841	996	1 054
Housing		376	409	443	–	511	511	543	575	608
Housing		376	409	443	–	511	511	543	575	608
Public Safety		2 032	2 555	2 800	–	2 969	2 969	3 106	3 289	3 480
Traffic		2 032	2 555	2 800	–	2 969	2 969	3 106	3 289	3 480
Health		–	–	–	–	–	–	–	–	–
Health Administration		–	–	–	–	–	–	–	–	–
Health Clinics		–	–	–	–	–	–	–	–	–
Community Services		1 876	2 786	2 839	–	3 703	3 703	3 869	4 097	4 320
Libraries		756	874	784	–	836	836	862	913	966
Cemeteries		124	244	265	–	304	304	320	339	358
Community Halls		395	912	976	–	1 494	1 494	1 570	1 663	1 744
Pound		602	756	814	–	1 069	1 069	1 117	1 183	1 252
Sport & Recreation		125	68	42	–	44	44	44	47	49
General		123	61	38	–	34	34	34	36	38
Caravan Parks		2	7	4	–	10	10	10	11	11
Waste Management		7 530	7 199	12 353	–	10 467	10 467	10 474	11 092	11 721
Refuse		7 530	7 199	12 353	–	10 467	10 467	10 474	11 092	11 721
Road Transport		17 562	13 447	12 698	–	11 100	11 100	9 903	10 487	11 096
Roads & Streets		17 562	13 447	12 698	–	11 100	11 100	9 903	10 487	11 096
Electricity		11 055	12 512	15 665	–	14 205	14 205	14 360	15 208	16 090
Electricity		11 055	12 512	15 665	–	14 205	14 205	14 360	15 208	16 090
0										
Water		23 887	101	–	–	–	–	–	–	–
Water		23 887	101	–	–	–	–	–	–	–
0										
Waste Water Management		6 340	53	–	–	–	–	–	–	–
Sewerage		6 340	53	–	–	–	–	–	–	–
0										
0										
Total Expenditure by Vote	2	122 157	81 761	102 780	–	97 548	97 548	101 324	102 118	107 880
Surplus/(Deficit) for the year	2	(10 705)	15 774	8 813	–	13 592	13 592	24 832	15 475	13 830

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

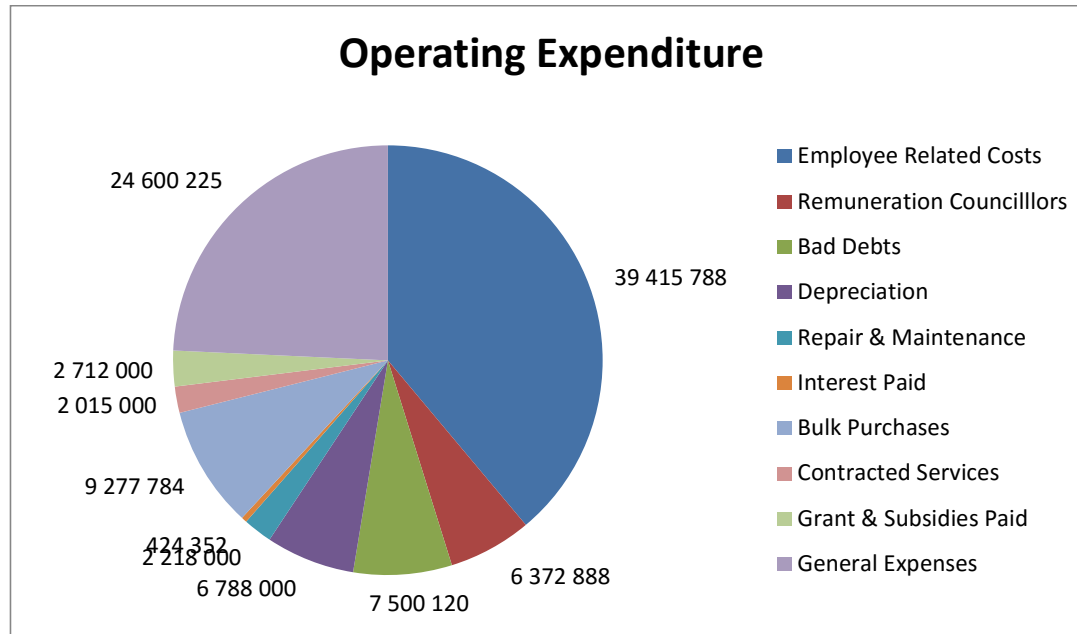
1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. This table is the main driver of management- responsibility and performance in terms of the operating budget and also the benchmark against which any unauthorised expenditure will be measured.

EC138 Sakhisizwe - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	4 711	5 119	5 259	–	5 752	5 752	5 752	5 752	6 091	6 444
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	7 923	10 298	9 208	–	11 385	11 385	11 385	11 385	12 056	12 756
Service charges - water revenue	2	4 618	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	3 362	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	2 822	3 260	3 551	–	3 691	3 691	3 691	3 691	3 909	4 135
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		171	114	858	–	1 077	1 077	1 077	1 077	1 141	1 207
Interest earned - external investments		497	526	976	–	850	850	850	855	905	958
Interest earned - outstanding debtors		5 259	3 317	4 376	–	4 500	4 500	4 500	4 500	4 766	4 911
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		9	6	16	–	36	36	36	36	38	40
Licences and permits		–	–	–	–	–	–	–	–	–	–
Agency services		1 560	4 803	899	–	727	727	727	1 009	1 072	1 138
Transfers recognised - operational		49 241	54 219	63 539	–	62 232	62 232	62 232	62 793	63 668	64 710
Other revenue	2	14 596	2 146	1 926	–	3 379	3 379	3 379	3 690	3 907	4 134
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		94 769	83 807	90 609	–	93 628	93 628	93 628	94 787	97 552	100 432
Expenditure By Type											
Employee related costs	2	32 250	28 361	28 590	–	37 369	37 369	37 369	39 416	40 006	42 327
Remuneration of councillors		5 433	5 459	6 175	–	6 122	6 122	6 122	6 373	6 749	7 140
Debt impairment	3	22 207	568	16 162	–	7 500	7 500	7 500	7 500	7 943	8 403
Depreciation & asset impairment	2	10 907	10 618	6 193	–	6 788	6 788	6 788	6 788	7 188	7 590
Finance charges		662	371	315	–	492	492	492	424	449	460
Bulk purchases	2	6 322	8 619	9 833	–	9 278	9 278	9 278	9 278	9 825	10 395
Other materials	8	4 924	1 422	2 516	–	3 498	3 498	3 498	2 218	2 349	2 485
Contracted services		576	1 752	1 943	–	2 015	2 015	2 015	2 015	2 134	2 226
Transfers and grants		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	38 896	24 591	31 052	–	24 486	24 486	3 162	27 312	25 475	26 852
Loss on disposal of PPE		(20)	–	–	–	–	–	–	–	–	–
Total Expenditure		122 157	81 761	102 780	–	97 548	97 548	76 225	101 324	102 118	107 880
Surplus/(Deficit)		(27 388)	2 047	(12 171)	–	(3 920)	(3 920)	17 403	(6 538)	(4 566)	(7 448)
Transfers recognised - capital		–	–	–	–	–	–	–	–	–	–
Contributions recognised - capital	6	16 563	13 653	20 984	–	17 812	17 812	17 812	31 670	20 359	21 613
Contributed assets		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(10 825)	15 700	8 813	–	13 892	13 892	35 215	25 132	15 792	14 166

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue, excluding capital transfers, is R94 787 million in 2017/18 and escalates to R100 432 million by 2019/20. This represents a year-on-year increase of 1.23 per cent for the 2017/18 and year-on-year increases of 2.91 per cent for the 2018/19 financial year and 2.95 per cent for the 2019/20 financial year.
2. Revenue to be generated from property rates is R5 752 million in the 2017/18 financial year and increases to R6 091 million by 2018/19 which represents only 4.32 per cent of the operating revenue base (excluding capital transfers) of the Municipality and therefore does not remain a significant funding source for the municipality.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R15 075 million for the 2017/18 financial year and increasing to R15 965 million by 2018/19. For the 2017/18 financial year services charges amount to 11.95 per cent of the total revenue base and stays relatively constant over the MTREF period.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Transfers are fluctuating according to grants provided for by the respective governments.
5. The following graph illustrates the major expenditure items per type.



Expenditure by major type

6. Employee related costs, depreciation, operating grant expenditure and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

BRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

EC138 Sakhisizwe - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote1 - Executive and Councillors		479	41	-	-	-	-	-	-	-	-
Vote2 - Municipal Manager		38	-	4 946	100	100	100	100	100	106	112
Vote3 - Budget and Treasury		90	58	9	400	400	400	400	250	265	280
Vote4 - Corporate services		-	-	-	-	-	-	-	-	-	-
Vote5 - Property services		-	-	-	-	-	-	-	-	-	-
Vote6 - Planning and development		-	-	-	-	-	-	-	-	-	-
Vote7 - Housing		-	-	-	-	-	-	-	-	-	-
Vote8 - public safety		-	-	-	-	-	-	-	-	-	-
Vote9 - Health		-	-	-	-	-	-	-	-	-	-
Vote10 - Community services		840	1 662	1 840	2 500	2 400	2 400	2 400	2 800	-	-
Vote11 - Sports and Recreation		-	-	-	1 562	600	600	600	12 500	-	-
Vote12 - Waste Management		3 868	9 359	3 333	-	1 000	1 000	1 000	1 000	1 059	1 120
Vote13 - Road Transport		10 995	9 131	16 185	12 610	10 672	10 672	10 672	14 810	21 441	22 762
Vote14 - Electricity		2 158	-	1 252	2 010	4 010	4 010	4 010	10	11	11
Vote15 - Example 15		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	18 467	20 251	27 566	19 182	19 182	19 182	19 182	31 470	22 881	24 286
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		18 467	20 251	27 566	19 182	19 182	19 182	19 182	31 470	22 881	24 286
Capital Expenditure - Standard											
Governance and administration		1 623	99	4 954	500	500	500	500	350	371	392
Executive and council		517	41	4 946	100	100	100	100	100	106	112
Budget and treasury office		90	58	9	400	400	400	400	250	265	280
Corporate services		1 017	-	-	-	-	-	-	-	-	-
Community and public safety		840	1 662	1 840	4 062	3 000	3 000	3 000	15 300	-	-
Community and social services		840	1 662	1 840	2 500	2 400	2 400	2 400	2 800	-	-
Sport and recreation		-	-	-	1 562	600	600	600	12 500	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		10 995	9 131	16 185	12 610	10 672	10 672	10 672	14 810	21 441	22 762
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		10 995	9 131	16 185	12 610	10 672	10 672	10 672	14 810	21 441	22 762
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		6 025	9 359	4 585	2 010	5 010	5 010	5 010	1 010	1 070	1 132
Electricity		2 158	-	1 252	2 010	4 010	4 010	4 010	10	11	11
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		3 868	9 359	3 333	-	1 000	1 000	1 000	1 000	1 059	1 120
Other											
Total Capital Expenditure - Standard	3	19 484	20 251	27 566	19 182	19 182	19 182	19 182	31 470	22 881	24 286
Funded by:											
National Government									30 100	22 881	24 286
Provincial Government									-	-	-
District Municipality									-	-	-
Other transfers and grants									-	-	-
Transfers recognised - capital	4	-	-	-	-	-	-	-	30 100	22 881	24 286
Public contributions & donations	5								-	-	-
Borrowing	6								-	-	-
Internally generated funds									1 370	-	-
Total Capital Funding	7	-	-	-	-	-	-	-	31 470	22 881	24 286

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
3. The capital program is funded from national grants and transfers and internally generated funds from current and prior year surpluses. and is listed above.

MBRR Table A6 - Budgeted Financial Position

EC138 Sakhisizwe - Table A6 Budgeted Financial Position											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS											
Current assets											
Cash		-	-	-	-	-	-	-	-	-	-
Call investment deposits	1	11 743	4 537	-	1 000	1 000	1 000	1 000	1 000	1 059	1 120
Consumer debtors	1	3 374	5 640	1 922	4 147	4 147	4 147	4 147	4 400	4 659	4 929
Other debtors		-	1 229	8 363	8 898	8 898	8 898	8 898	9 441	9 998	10 578
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	1 014	1 014	1 014	1 079	1 079	1 079	1 079	1 145	1 213	1 283
Total current assets		16 131	12 419	11 299	15 124	15 124	15 124	15 124	15 986	16 929	17 911
Non current assets											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		34 400	34 211	34 022	36 199	36 199	36 199	36 199	38 407	40 673	43 032
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	94 494	171 155	171 155	182 109	182 109	182 109	182 109	193 217	204 617	216 485
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		-	-	-	-	-	-	-	-	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
Total non current assets		128 895	205 366	205 176	218 308	218 308	218 308	218 308	231 624	245 290	259 517
TOTAL ASSETS		145 026	217 785	216 476	233 432	233 432	233 432	233 432	247 610	262 219	277 428
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	7 132	4 991	4 991	5 000	5 000	5 000	5 000	2 967	2 373	1 899
Consumer deposits		-	142	121	129	129	129	129	137	145	153
Trade and other payables	4	17 043	16 836	14 189	15 097	15 097	15 097	15 097	16 018	16 963	17 947
Provisions		-	757	746	794	794	794	794	842	892	943
Total current liabilities		24 175	22 726	20 047	21 020	21 020	21 020	21 020	19 964	20 373	20 943
Non current liabilities											
Borrowing		2 203	2 488	3 189	3 393	3 393	3 393	3 393	3 600	3 813	4 034
Provisions		2 391	3 919	3 980	4 235	4 235	4 235	4 235	4 493	4 759	5 035
Total non current liabilities		4 593	6 407	7 170	7 628	7 628	7 628	7 628	8 094	8 571	9 068
TOTAL LIABILITIES		28 769	29 133	27 217	28 648	28 648	28 648	28 648	28 058	28 945	30 011
NET ASSETS	5	116 257	188 652	189 259	204 784	204 784	204 784	204 784	219 552	233 274	247 417
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		116 257	188 652	189 259	204 784	204 784	204 784	204 784	219 552	233 274	247 417
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	116 257	188 652	189 259	204 784	204 784	204 784	204 784	219 552	233 274	247 417

Explanatory notes to Table A6 - Budgeted Financial Position

1. The Budgeted Financial Position is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. This table is supported by an extensive table of notes (SA3 which can be found on later in this report providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

MBRR Table A7 - Budgeted Cash Flow Statement

EC138 Sakhisizwe - Table A7 Budgeted Cash Flows											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &			
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		26 444	8 536	25 270	50 539	50 539	50 539	50 539	53 622	56 786	60 079
Government - operating	1	65 747	75 006	84 922	90 357	90 357	90 357	90 357	62 793	63 668	64 710
Government - capital	1	21 691	6 372	3 005	3 198	3 198	3 198	3 198	3 393	3 593	3 801
Interest		-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(40 347)	(34 199)	(36 077)	(38 386)	(38 386)	(38 386)	(38 386)	(40 728)	(43 131)	(45 633)
Finance charges		(25 571)	(25 337)	(25 103)	(26 709)	(26 709)	(26 709)	(26 709)	(28 339)	(30 011)	(31 751)
Transfers and Grants	1	-	(4 872)	(30 274)	(32 212)	(32 212)	(32 212)	(32 212)	(34 177)	(36 193)	(38 293)
NET CASH FROM/(USED) OPERATING ACTIVITIES		47 965	25 505	21 742	46 786	46 786	46 786	46 786	16 564	14 712	12 914
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		(19 275)	(18 317)	(27 566)	(29 330)	(29 330)	(29 330)	(29 330)	(31 119)	(32 955)	(34 866)
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(19 275)	(18 317)	(27 566)	(29 330)	(29 330)	(29 330)	(29 330)	(31 119)	(32 955)	(34 866)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		5 259	526	976	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		(87)	(398)	(320)	(340)	(340)	(340)	(340)	(361)	(382)	(404)
Payments											
Repayment of borrowing		(1 346)	(2 972)	3 270	3 479	3 479	3 479	3 479	3 691	3 909	4 136
NET CASH FROM/(USED) FINANCING ACTIVITIES		3 827	(2 844)	3 926	3 139	3 139	3 139	3 139	3 330	3 527	3 731
NET INCREASE/ (DECREASE) IN CASH HELD		32 517	4 344	(1 898)	20 595	20 595	20 595	20 595	(11 224)	(14 716)	(18 221)
Cash/cash equivalents at the year begin:	2	0	32 517	36 861	34 964	55 559	76 154	96 749	117 344	106 119	91 403
Cash/cash equivalents at the year end:	2	32 517	36 861	34 964	55 559	76 154	96 749	117 344	106 119	91 403	73 182

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

EC138 Sakhisizwe - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	32 517	36 861	34 964	55 559	76 154	96 749	117 344	106 119	91 403	73 182
Other current investments > 90 days		(20 774)	(32 324)	(34 964)	(54 559)	(75 154)	(95 749)	(116 344)	(105 119)	(90 344)	(72 062)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		11 743	4 537	-	1 000	1 000	1 000	1 000	1 000	1 059	1 120
Application of cash and investments											
Unspent conditional transfers		8 378	2 647	7 632	8 121	8 121	8 121	8 121	8 616	9 125	9 654
Unspent borrowing											
Statutory requirements	2										
Other working capital requirements	3	(17 043)	(18 065)	(22 552)	(23 995)	(23 995)	(23 995)	(23 995)	(25 459)	(26 961)	(28 525)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(8 665)	(15 418)	(14 920)	(15 874)	(15 874)	(15 874)	(15 874)	(16 843)	(17 837)	(18 871)
Surplus(shortfall)		20 408	19 955	14 920	16 874	16 874	16 874	16 874	17 843	18 896	19 992

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality's budget is cash-funded and thus in compliance with the requirements of the MFMA.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

MBRR Table A9 - Asset Management

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.
3. An analysis between depreciation and operational repairs and maintenance over the MTREF is not yet possible until the municipality changes its financial systems to include all maintenance costs, also those incurred internally, to the maintenance votes. When implemented it will highlight the Municipality's maintenance backlog.

EC138 Sakhisizwe - Table A9 Asset Management									
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &	
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Full Year Forecast	Budget Year 2017/18
									Budget Year +1 2018/19
CAPITAL EXPENDITURE									
Total New Assets	1	19 484	20 251	27 566	19 182	19 182	19 182	31 470	22 881
Infrastructure - Road transport		10 995	9 131	16 185	12 610	10 672	10 672	14 800	21 441
Infrastructure - Electricity		2 158	-	1 252	2 010	4 010	4 010	-	11
Infrastructure		17 020	18 489	20 771	14 620	15 682	15 682	15 800	22 510
Community		840	1 662	1 840	4 062	3 000	3 000	15 300	-
Heritage assets		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Other assets	6	1 623	99	4 954	500	500	500	370	371
Total Capital Expenditure	4								
Infrastructure - Road transport		10 995	9 131	16 185	12 610	10 672	10 672	14 800	21 441
Infrastructure - Electricity		2 158	-	1 252	2 010	4 010	4 010	-	11
Infrastructure - Water		-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-
Infrastructure - Other		3 868	9 359	3 333	-	1 000	1 000	1 000	1 059
Infrastructure		17 020	18 489	20 771	14 620	15 682	15 682	15 800	22 510
Community		840	1 662	1 840	4 062	3 000	3 000	15 300	-
Heritage assets		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Other assets		1 623	99	4 954	500	500	500	370	371
Agricultural Assets		-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	19 484	20 251	27 566	19 182	19 182	19 182	31 470	22 881
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	5	10 995	9 131	16 185	12 610	10 672	10 672	14 810	21 441
Infrastructure - Electricity		2 158	-	1 252	2 010	4 010	4 010	10	11
Infrastructure		13 153	9 131	17 437	14 620	14 682	14 682	14 820	21 451
Community		840	1 662	1 840	2 500	2 400	2 400	2 800	-
Heritage assets		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Other assets		5 491	9 458	8 288	2 062	2 100	2 100	13 850	1 430
Agricultural Assets		-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	19 484	20 251	27 566	19 182	19 182	19 182	31 470	22 881
EXPENDITURE OTHER ITEMS									
Depreciation & Asset Impairment		10 907	10 618	6 193	-	6 788	6 788	6 788	7 188
Repairs and Maintenance by Asset Class	3	7 007	6 275	2 481	50	3 141	3 141	2 211	2 341
Infrastructure - Road transport		549	373	1 233	-	2 000	2 000	1 000	1 059
Infrastructure - Electricity		416	655	682	-	480	480	480	508
Infrastructure - Water		3 267	-	-	-	-	-	-	-
Infrastructure - Sanitation		261	-	-	-	-	-	-	-
Infrastructure - Other		129	201	185	-	126	126	126	133
Infrastructure		4 621	1 229	2 099	-	2 606	2 606	1 606	1 701
Community		18	32	56	-	130	130	130	138
Heritage assets		2 134	4 864	53	50	50	50	50	53
Investment properties		-	-	-	-	-	-	-	-
Other assets	6, 7	235	150	273	-	355	355	425	450
TOTAL EXPENDITURE OTHER ITEMS		17 915	16 894	8 675	50	9 929	9 929	8 999	9 530
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE		21.1%	20.1%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal and R&M as a % of PPE		36.0%	31.0%	9.0%	0.0%	16.0%	16.0%	7.0%	10.0%

EC138 Sakhisizwe - Table A10 Basic service delivery measurement										
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets (000)	1									
Energy:										
Electricity (at least min.service level)										
Electricity - prepaid (min.service level)										
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Refuse:										
Removed at least once a week										
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)										
Sanitation (free minimum level service)										
Electricity/other energy (50kw h per household per month)										
Refuse (removed at least once a week)										
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)										
Sanitation (free sanitation service)										
Electricity/other energy (50kw h per household per month)		1 402	-	1 550	1 550	1 550	1 550	1 550	1 641	1 737
Refuse (removed once a week)		648	-	1 200	-	3 379	3 379	700	741	784
Total cost of FBS provided (minimum social package)		2 050	-	2 750	1 550	4 929	4 929	2 250	2 383	2 521
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)										
Property rates (other exemptions, reductions and rebates)		45	7	-	-	50	50	50	53	56
Water		259	-	-	-	-	-	-	-	-
Sanitation		492	-	-	-	-	-	-	-	-
Electricity/other energy		406	1 018	1 402	-	1 550	1 550	1 550	1 641	1 737
Refuse		786	612	648	-	1 200	1 200	700	741	784
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of free services provided (total social package)		1 988	1 637	2 050	-	2 800	2 800	2 300	2 436	2 577

1.8.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule by 31 August 2018.

2017/2018 IDP AND BUDGET SCHEDULE OF KEY DEADLINES

Month	Action to be taken Administratively – Municipality Administration
July	<p>Accounting officers and senior officials of Sakhisizwe Local Municipality begin planning for next three-year budget</p> <p style="text-align: center;">MFMA s 68, 77</p> <p>Accounting officers and senior officials of the municipality review options and contracts for service delivery</p> <p style="text-align: center;">MSA s 76-81</p>
August	Accounting Officer to assist Mayor to prepare the schedule of key deadlines and align the IDP and Budget process
August / September / October	<p>Budget office of Sakhisizwe Local Municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives.</p> <p>Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)</p>
September / October	<p>Accounting officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and department officials</p> <p style="text-align: center;">MFMA s 35, 36, 42; MTBPS</p>
October / November	<p>Accounting officer reviews and drafts initial changes to IDP</p> <p style="text-align: center;">MSA s 34</p>
November / December	<p>Accounting officer submits draft budget and plans for next financial year to the Mayor for tabling</p> <p>Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others</p> <p>Accounting officer to notify relevant municipalities of projected allocations for next three budget years</p>

MUNICIPAL ELECTIONS AND CONSULTATION ON THE BUDGET	
January	<p>Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling.</p> <p style="text-align: center;">MFMA s 36</p> <p>The Accounting Officer must by 25 January assess the performance of the municipality for the first six months of the 2017/2018 financial year and submits a report on such assessment to the Mayor, National Treasury and Provincial Treasury.</p> <p style="text-align: center;">MFMA s 72</p>
February	<p>The Accounting Officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous year's audited financial statements and annual report.</p> <p>The Accounting Officer of Sakhisizwe Local Municipality must liaise with the Accounting Officer of Chris Hani District Municipality 120 days prior to the start of the budget year to obtain projected allocations for 2017/2018, 2018/2019 & 2019/2020.</p> <p style="text-align: center;">MFMA s 37(2)</p>
March	<p>The Accounting Officer must publish the tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to National Treasury, Provincial Treasury and others as prescribed.</p> <p style="text-align: center;">MFMA s 22 & 37; MSA Ch 4 as amended</p> <p>The Accounting Officer must review any changes in prices for bulk electricity purchases as communicated by NERSA & DWA as well as submit proposal of increasing prices of sale of electricity to the executive authority & the regulator for approval if national legislation requires such approval.</p> <p style="text-align: center;">MFMA s 42</p>
April	<p>Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year</p>

May	Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature
June	<p>Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA.</p> <p style="text-align: center;">MFMA s 69; MSA s 57</p> <p>Accounting Officer must publish the adopted budget and all budget-related documents.</p> <p style="text-align: center;">MFMA s 75, 87</p>
<p><u>Abbreviations:</u> IDP - Integrated Development Plan; MFMA - Local Government: Municipal Finance Management Act, No. 56 of 2003; MSA - Local Government: Municipal Systems Act, No. 32 of 2000, as amended; MTBPS - National Treasury annual publication, Medium Term Budget and Policy Statement; NT - National Treasury; PT - Provincial Treasuries; SDBIP - Service Delivery and Budget Implementation Plan</p> <p>Shaded Area: Consultation on the budget and municipal elections.</p>	

There were some deviations from the key dates set out in the Budget Time Schedule tabled in Council. However, the schedule attached is the revised one as from time to time adjusted by council and its programmes.

1.8.2 IDP and Service Delivery and Budget Implementation Plan

This is the first review of the IDP to be adopted by Council in March 2017 and again by the Council in May 2017. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2017/18 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2019/20 MTREF, based on the approved 2017/18 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.8.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 58, 59 and 85 has been taken into consideration in the planning and prioritisation process.

1.9 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality,

issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2017/18 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

2015/16 Financial Year	2016/17 MTREF
1. The provision of quality basic services and infrastructure	1. To ensure that cost effective, appropriate and efficient services are delivered (KPA Service delivery)
2. Acceleration of higher and shared economic growth and development	2. To ensure that conditions are created which stimulate the growth of the local economy (KPA LED)
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3. To have an effective and efficient administration (KPA Municipal transformation and Inst.dev.)
4. Fostering participatory democracy and adherence to Sakhisizwe Municipality principles through a caring, accessible and accountable service	4. To have a transparent and performance driven organisation (KPA Good governance and public participation)
5. Good governance, Financial viability and institutional governance	5. To implement good financial management (KA Financial management and viability)

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. To have a transparent and performance driven organisation
2. To ensure that cost effective, appropriate and efficient services are delivered
3. To ensure that conditions are created which stimulate the growth of the local economy
4. To implement good financial management
5. To have an effective and efficient administration

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP.

The 2017/18 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

EC138 Sakhisizwe - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)											
Strategic Objective	Goal	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Property rates			4 711	5 119	5 259	–	5 752	5 752	5 752	6 091	6 444
Property rates - penalties & collection charges			–	–	–	–	–	–	–	–	–
Service charges - electricity revenue			7 923	10 298	9 208	–	11 385	11 385	11 385	12 056	12 756
Service charges - water revenue			4 618	–	–	–	–	–	–	–	–
Service charges - sanitation revenue			3 362	–	–	–	–	–	–	–	–
Service charges - refuse revenue			2 822	3 260	3 551	–	3 691	3 691	3 691	3 909	4 135
Service charges - other			–	–	–	–	–	–	–	–	–
Rental of facilities and equipment			171	114	858	–	1 077	1 077	1 077	1 141	1 207
Interest earned - external investments			497	526	976	–	850	850	855	905	958
Interest earned - outstanding debtors			5 259	3 317	4 376	–	4 500	4 500	4 500	4 766	4 911
Dividends received			–	–	–	–	–	–	–	–	–
Fines			9	6	16	–	36	36	36	38	40
Licences and permits			–	–	–	–	–	–	–	–	–
Agency services			1 560	4 803	899	–	727	727	1 009	1 072	1 138
Transfers recognised - operational			49 241	54 219	63 539	–	62 232	62 232	62 793	63 668	64 710
Other revenue			14 596	2 146	1 926	–	3 379	3 379	3 690	3 907	4 134
Gains on disposal of PPE			–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		1	94 769	83 807	90 609	–	93 628	93 628	94 787	97 552	100 432

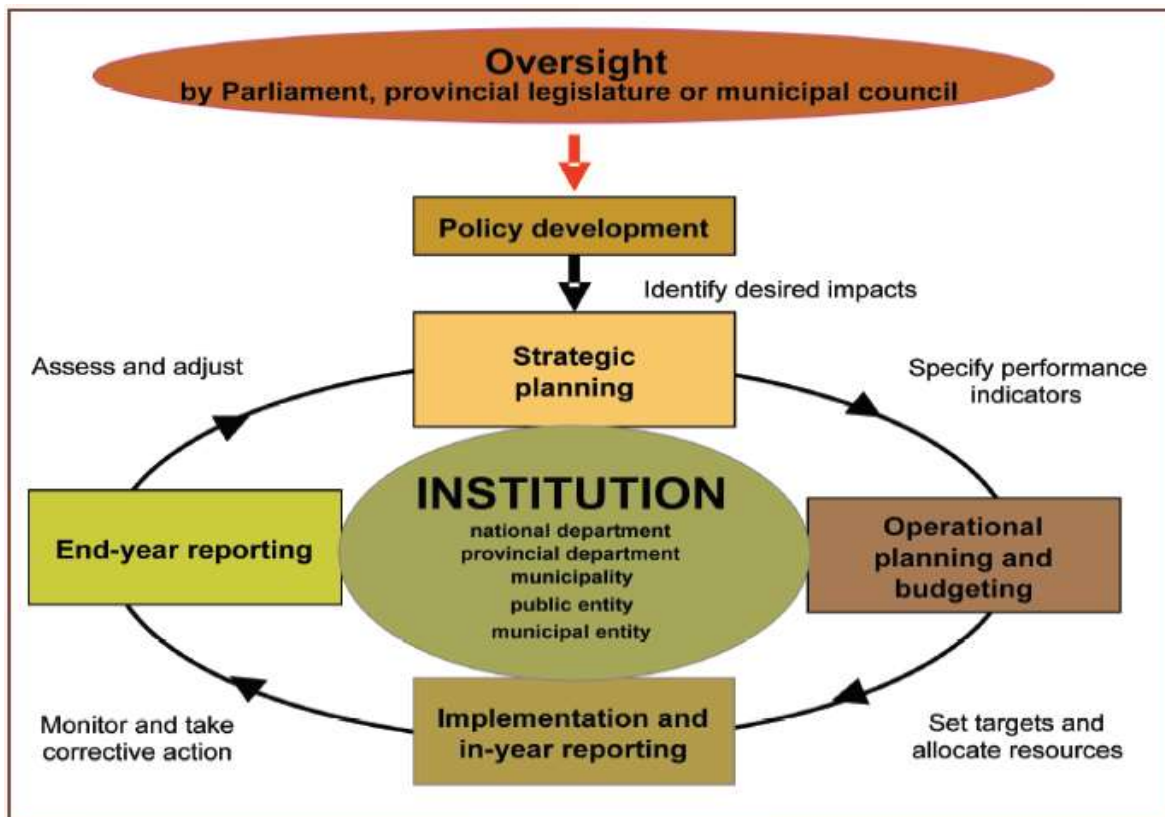
MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

EC138 Sakhisizwe - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			Budget Year 2017/18		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand												
EXUCUTIVE & COUNCIL		A		517	41	4 946	100	100	100	100	106	112
FINANCANCE & ADMIN		B		1 107	58	9	400	400	400	250	265	280
PLANNING & DEVELOPMENT		C		-	-	-	-	-	-	-	-	-
HOUSING		D		-	-	-	-	-	-	-	-	-
PUBLIC SAFETY		E		-	-	-	-	-	-	-	-	-
HEALTH		F		-	-	-	-	-	-	-	-	-
COMMUNITY SERVICES		G		840	1 662	1 840	2 500	2 400	2 400	2 800	-	-
SPORT & RECREATION		H		-	-	-	1 562	600	600	12 500	-	-
WASTE MANAGEMENT		I		3 868	9 359	3 333	-	1 000	1 000	1 000	1 059	1 120
ROAD TRANSPORT		J		10 995	9 131	16 185	12 610	10 672	10 672	14 810	21 441	22 762
ELECTRICITY		K		2 158	-	1 252	2 010	4 010	4 010	10	11	11
WATER		L		-	-	-	-	-	-	-	-	-
WASTE WATER MANAGEMENT		M		-	-	-	-	-	-	-	-	-
		N										
		O										
		P										
		Q										
			1	19 484	20 251	27 566	19 182	19 182	19 182	31 470	22 881	24 286

1.10 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

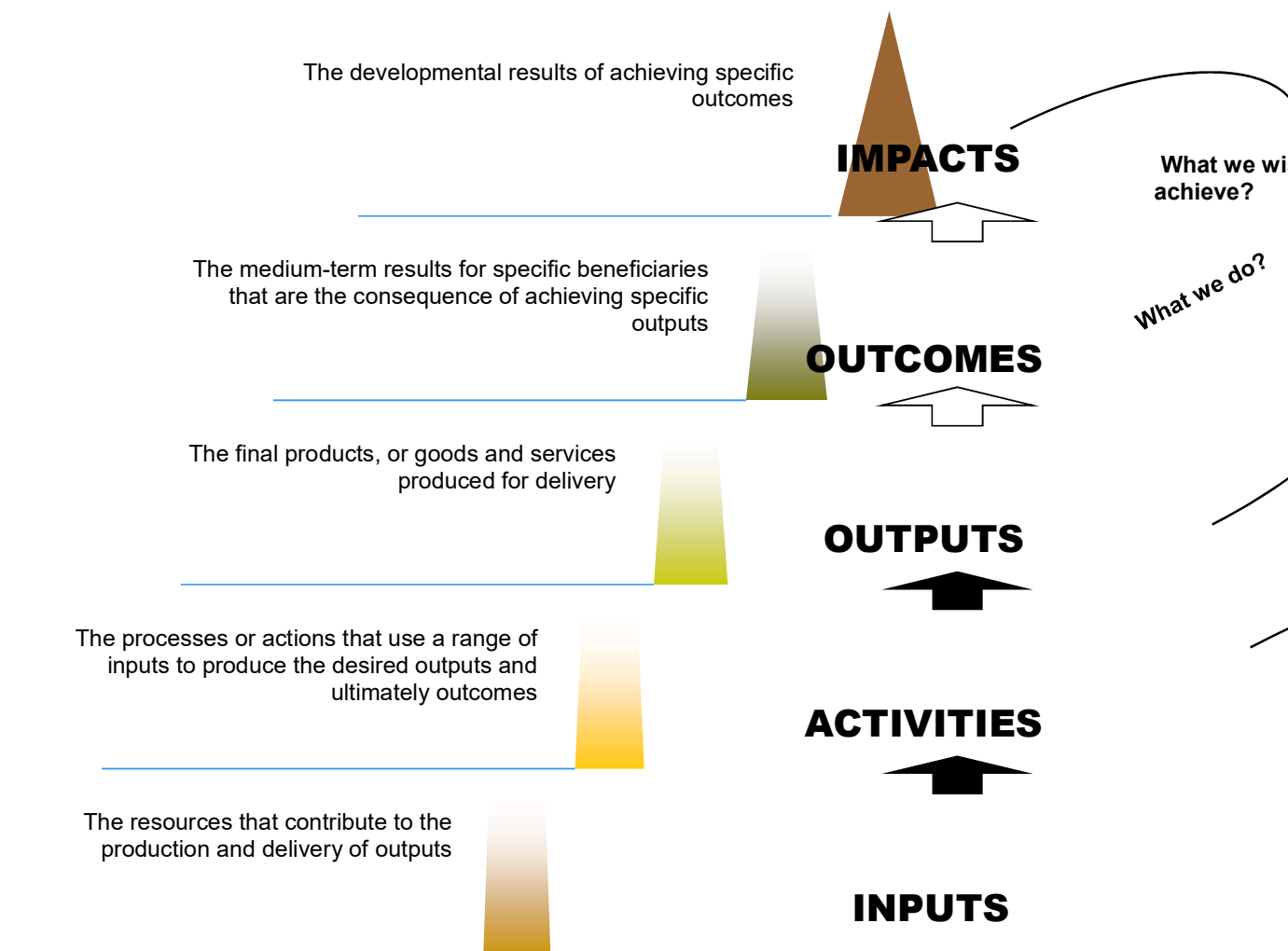


The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);

- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

MBRR Table SA7 - Measurable performance objectives

The following table sets out the municipalities main performance objectives and benchmarks for the 2017/18 MTREF.

MBRR Table SA8 - Performance indicators and benchmarks

EC138 Sakhisizwe - Supporting Table SA8 Performance indicators and benchmarks											
Description of financial indicator	Basis of calculation	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own'n capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	-	-	-	-	-	-	-	-	-	-
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	-	-	-	-	-	-	-	-	-	-
Liquidity Ratio	Monetary Assets/Current Liabilities	-	-	-	-	-	-	-	-	-	-
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Other Indicators</u>											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	-	-	-	-	-	-	-	-	-
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	-	-	-	-	-	-	-	-	-

1.10.1 Performance indicators and benchmarks

1.10.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Sakhisizwe Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2017/18 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a per cent age of the total asset base of the municipality. This ration is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is steady 0.1 per cent throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality does not intend borrowing any money during the MTREF period.

The Municipality's debt profile provides some interesting insights on the Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

The Municipality has bought vehicles on hire purchase and will pay instalments monthly for a five year period.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2013/14MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

1.10.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a per cent age of funds and reserves. This ratio is well below the norm, indicating a strong financial position.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

1.10.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of more than 2 which is a general benchmark,

hence at no point in time should this ratio be less than 2. For the 2017/18 MTREF the current ratio is 2.1, and 2.4 and 3.1 respectively for the two outer years of the MTREF. Going forward it will be good financial practices if these levels can be maintained.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2017/18 financial year the ratio was 0.7 and as part of the financial planning strategy it has been increased to 2.1 in the 2018/19 and has increased to 2.8 in 2019/20 financial year.

-

1.10.1.4 Revenue Management

- As part of the financial sustainability, an aggressive revenue management framework should be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the framework should be to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rates in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 15 per cent and should increase if the municipality wants to be financial as a going concern. ly conservative approach in order to cater for the current negative economic climate.

1.10.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

1.10.1.6 Other Indicators

- The municipality needs to know what causes high electricity losses. The municipality has then to developed mechanism to determine what is an acceptable distribution loss and what should be contributed to theft.
- Employee costs as a per cent age of operating revenue is fairly constant over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as per cent age of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing far above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

1.10.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the MTREF 1903 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity, and free waste removal equivalent once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

1.11 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The following is a broad framework of all the policies the council have:

1.11.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council annually is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, they are entitled to free basic services.

The 2017/18 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 15 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels.

1.11.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.11.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

1.11.4 Supply Chain Management Policy

The Supply Chain Management Policy was reviewed and adopted by Council in May 2016.

1.11.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations.

1.11.6 Cash Management and Investment Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.11.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available at main municipal building, as well as the following budget related policies:

- Corruption & Fraud Policy;
- Debt Write Off Policy;
- Indigent Policy;
- Information Technology Policy;
- Rates & Bylaws Policy;
- Interest Reversal Policy
- Loans Policy
- Unforeseen & Unavoidable Expenditure Policy;
- Administration of Immoveable Property Policy;
- MFMA Delegations Policy.

1.12 Overview of budget assumptions

1.12.1 External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank fast and millions of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2017/18 will be minimal with a slightly better growth in the outer years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.12.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.12.3 Credit rating outlook

The Municipality did not perform a credit rating outlook.

1.12.4 Interest rates for borrowing and investment of funds

The municipality will not borrow any funds during the MTREF period. It is expected that interest rates will be adjusted slightly upwards during the MTREF period and it was budgeted for as such.

1.12.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (20 per cent) of annual billings. Cash flow is assumed to be 20 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.12.6 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.12.7 Salary increases

The South African Local Government Bargaining Council entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:

- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent.

1.12.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.12.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2017/18 MTREF of which performance has been factored into the cash flow budget.

1.13 Overview of budget funding

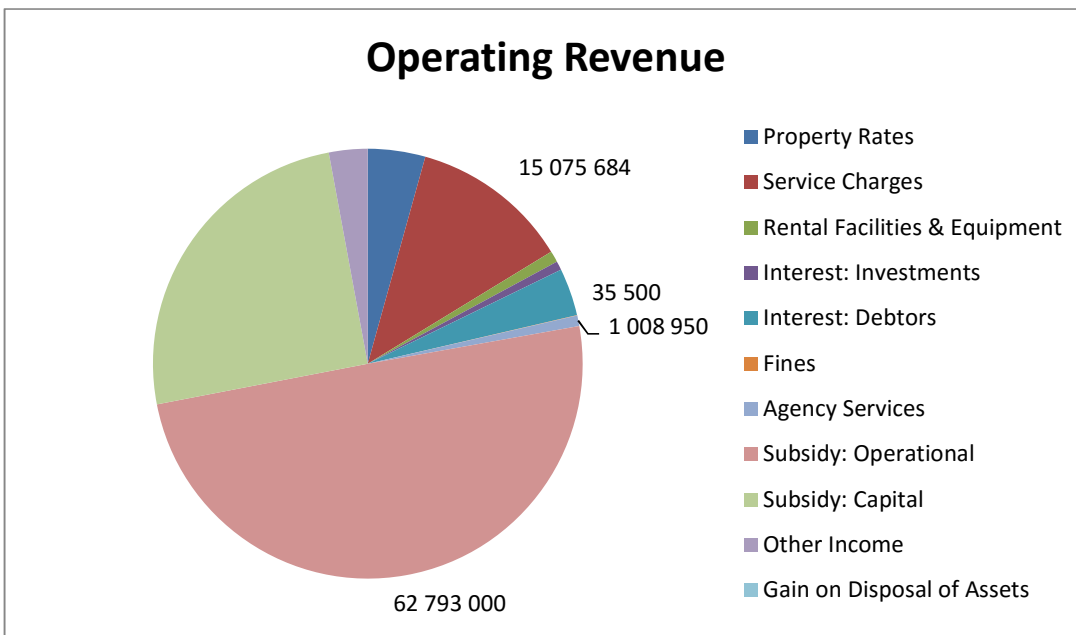
1.13.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

EC138 Sakhisizwe - Table A1 Budget Summary										
Description	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Financial Performance										
Property rates	4 711	5 119	5 259	-	5 752	5 752	5 752	5 752	6 091	6 444
Service charges	18 726	13 558	12 759	-	15 076	15 076	15 076	15 076	15 965	16 891
Investment revenue	497	526	976	-	850	850	850	855	905	958
Transfers recognised - operational	49 241	54 219	63 539	-	62 232	62 232	62 232	62 793	63 668	64 710
Other own revenue	21 594	10 386	8 075	-	9 718	9 718	9 718	10 311	10 923	11 429
Total Revenue (excluding capital transfers and contributions)	94 769	83 807	90 609	-	93 628	93 628	93 628	94 787	97 552	100 432

The following graph is a breakdown of the operational revenue per main category for the 2017/18 financial year.

Breakdown of operating revenue over the 2017/18 MTREF



Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.).

Investment revenue contributes significantly to the revenue base of the Municipality. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

MBRR SA15 – Detail Investment Information

EC138 Sakhisizwe - Supporting Table SA15 Investment particulars by type										
Investment type	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		11 743	4 537	-	1 000	1 000	1 000	1 000	1 059	1 120
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	11 743	4 537	-	1 000	1 000	1 000	1 000	1 059	1 120
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		11 743	4 537	-	1 000	1 000	1 000	1 000	1 059	1 120

MBRR SA16 – Investment particulars by maturity

EC138 Sakhisizwe - Supporting Table SA16 Investment particulars by maturity						
Investments by Maturity	Ref	Period of Investment	Type of Investment	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	1	Yrs/Months			Rand thousand	
<u>Parent municipality</u>						
Call Investment		Call	Call Investment	Call	1 000	800
Municipality sub-total					1 000	800
<u>Entities</u>						
Entities sub-total					-	-
TOTAL INVESTMENTS AND INTEREST	1				1 000	800

1.13.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

MBRR Table A7 - Budget cash flow statement

EC138 Sakhisizwe - Table A7 Budgeted Cash Flows											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		26 444	8 536	25 270	50 539	50 539	50 539	50 539	53 622	56 786	60 079
Government - operating	1	65 747	75 006	84 922	90 357	90 357	90 357	90 357	62 793	63 668	64 710
Government - capital	1	21 691	6 372	3 005	3 198	3 198	3 198	3 198	3 393	3 593	3 801
Interest		-	-	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(40 347)	(34 199)	(36 077)	(38 386)	(38 386)	(38 386)	(38 386)	(40 728)	(43 131)	(45 633)
Finance charges		(25 571)	(25 337)	(25 103)	(26 709)	(26 709)	(26 709)	(26 709)	(28 339)	(30 011)	(31 751)
Transfers and Grants	1	-	(4 872)	(30 274)	(32 212)	(32 212)	(32 212)	(32 212)	(34 177)	(36 193)	(38 293)
NET CASH FROM/(USED) OPERATING ACTIVITIES		47 965	25 505	21 742	46 786	46 786	46 786	46 786	16 564	14 712	12 914
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		(19 275)	(18 317)	(27 566)	(29 330)	(29 330)	(29 330)	(29 330)	(31 119)	(32 955)	(34 866)
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(19 275)	(18 317)	(27 566)	(29 330)	(29 330)	(29 330)	(29 330)	(31 119)	(32 955)	(34 866)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		5 259	526	976	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		(87)	(398)	(320)	(340)	(340)	(340)	(340)	(361)	(382)	(404)
Payments											
Repayment of borrowing		(1 346)	(2 972)	3 270	3 479	3 479	3 479	3 479	3 691	3 909	4 136
NET CASH FROM/(USED) FINANCING ACTIVITIES		3 827	(2 844)	3 926	3 139	3 139	3 139	3 139	3 330	3 527	3 731
NET INCREASE/ (DECREASE) IN CASH HELD		32 517	4 344	(1 898)	20 595	20 595	20 595	20 595	(11 224)	(14 716)	(18 221)

1.13.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

EC138 Sakhisizwe - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	32 517	36 861	34 964	55 559	76 154	96 749	117 344	106 119	91 403	73 182
Other current investments > 90 days		(20 774)	(32 324)	(34 964)	(54 559)	(75 154)	(95 749)	(116 344)	(105 119)	(90 344)	(72 062)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		11 743	4 537	-	1 000	1 000	1 000	1 000	1 000	1 059	1 120
Application of cash and investments											
Unspent conditional transfers		8 378	2 647	7 632	8 121	8 121	8 121	8 121	8 616	9 125	9 654
Unspent borrowing											
Statutory requirements	2										
Other working capital requirements	3	(17 043)	(18 065)	(22 552)	(23 995)	(23 995)	(23 995)	(23 995)	(25 459)	(26 961)	(28 525)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(8 665)	(15 418)	(14 920)	(15 874)	(15 874)	(15 874)	(15 874)	(16 843)	(17 837)	(18 871)
Surplus(shortfall)		20 408	19 955	14 920	16 874	16 874	16 874	16 874	17 843	18 896	19 992

From the above table it can be seen that the cash and investments available total R1 million in the 2016/17 financial year and to R1 million by 2017/18, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, resulting in cash flow challenges. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the Capital Replacement Reserve, Employee Benefits Reserves and the Rehabilitation of landfill sites and quarries.

1.13.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

MBRR SA10 – Funding compliance measurement

EC138 Sakhisizwe - Table A8 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	32 517	36 861	34 964	55 559	76 154	96 749	117 344	106 119	91 403	73 182
Other current investments > 90 days		(20 774)	(32 324)	(34 964)	(54 559)	(75 154)	(95 749)	(116 344)	(105 119)	(90 344)	(72 062)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		11 743	4 537	-	1 000	1 000	1 000	1 000	1 000	1 059	1 120
Application of cash and investments											
Unspent conditional transfers		8 378	2 647	7 632	8 121	8 121	8 121	8 121	8 616	9 125	9 654
Unspent borrowing											
Statutory requirements	2										
Other working capital requirements	3	(17 043)	(18 065)	(22 552)	(23 995)	(23 995)	(23 995)	(23 995)	(25 459)	(26 961)	(28 525)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(8 665)	(15 418)	(14 920)	(15 874)	(15 874)	(15 874)	(15 874)	(16 843)	(17 837)	(18 871)
Surplus(shortfall)		20 408	19 955	14 920	16 874	16 874	16 874	16 874	17 843	18 896	19 992

1.13.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.13.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in the previous page. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.13.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

1.13.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2017/18 MTREF and outer years the municipality has a small surpluses.

It needs to be noted that a surplus or deficit does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

1.13.4.5 Property Rates/service charge revenue as a per cent age increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the per cent age growth is higher than forecasted CPIX for the respective financial year of the 2017/18 MTREF which is mainly due to higher electricity tariff increase. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

1.13.4.6 Cash receipts as a per cent age of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. Given that the assumed collection rate was based on a 20 per cent performance target, the cash flow statement has been conservatively determined. However, the per cent age in the above table includes direct receipts for services being paid in cash such as agency services and permits. This measure and performance objective will have to be meticulously managed. Should performance with the mid-

year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

1.13.4.7 Debt impairment expense as a per cent age of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 20 per cent over the MTREF. .

1.13.4.8 Capital payments per cent age of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 per cent payments has been factored into the cash position forecasted over the entire financial year.

1.13.4.9 Transfers/grants revenue as a per cent age of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A per cent age less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers and therefore no per cent age is being shown as outstanding.

1.13.4.10 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

1.13.4.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

1.13.4.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

1.14 Expenditure on grants and reconciliations of unspent funds

MBRR SA19 - Expenditure on transfers and grant programmes

EC138 Sakhisizwe - Supporting Table SA19 Expenditure on transfers and grant programme										
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		-	-	-	-	-	-	62 401	63 176	64 198
Local Government Equitable Share								59 593	61 476	62 498
Finance Management								1 700	1 700	1 700
Municipal Systems Improvement								-	-	-
Expanded Public Works Programme								1 108	-	-
Integrated National Electrification Programme								-	-	-
Other transfers/grants [insert description]										
Provincial Government:		-	-	-	-	-	-	380	380	402
Local Economic Development (LED) Capacity								-	-	-
Expanded Public Works Programme (EPWP)								-	-	-
Library Subsidies								380	380	402
Other transfers/grants [insert description]								-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure of Transfers and Grants:		-	-	-	-	-	-	62 781	63 556	64 600
Capital expenditure of Transfers and Grants										
National Government:		-	-	-	-	-	-	20 179	21 430	22 751
Mig								20 179	21 430	22 751
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
Water								-	-	-
Sewerage								-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		-	-	-	-	-	-	20 179	21 430	22 751
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	-	-	-	-	-	82 960	84 986	87 351

MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

EC138 Sakhisizwe - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds										
Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Operating transfers and grants:	1,3									
National Government										
Balance unspent at beginning of the year										
Current year receipts								62 401	63 176	64 198
Conditions met - transferred to revenue		-	-	-	-	-	-	62 401	63 176	64 198
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts								380	380	402
Conditions met - transferred to revenue		-	-	-	-	-	-	380	380	402
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts								-	-	-
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts								20 179	21 430	22 751
Conditions met - transferred to revenue		-	-	-	-	-	-	20 179	21 430	22 751
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		-	-	-	-	-	-	82 960	84 986	87 351
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		-	-	-	-	-	-	-	-	-
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-

1.15 Councillor and employee benefits

MBRR SA22 - Summary of councillor and staff benefits

EC138 Sakhisizwe - Supporting Table SA22 Summary councillor and staff benefits										
Summary of Employee and Councillor remuneration	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Salary		3 607	3 988	4 433	-	-	-	5 269	5 580	5 904
Pension Contributions		-	-	-	-	-	-	684	724	766
Medical Aid Contributions		82	110	55	-	-	-	32	34	36
Motor vehicle allowance		785	500	513	-	-	-	-	-	-
Cell phone allowance		336	234	334	-	-	-	388	410	434
Housing allowance		-	-	-	-	-	-	-	-	-
Other benefits or allowances		62	47	53	-	-	-	-	-	-
In-kind benefits		-	-	-	-	-	-	-	-	-
Sub Total - Councillors		4 872	4 879	5 387	-	-	-	6 373	6 749	7 140
% increase	4		0.1%	10.4%	(100.0%)	-	-	-	5.9%	5.8%
Senior Managers of the Municipality										
Salary		4 110	5 467	5 373	-	-	-	6 574	6 962	7 365
Pension Contributions		270	327	341	-	-	-	501	530	561
Medical Aid Contributions		96	111	138	-	-	-	206	218	231
Motor vehicle allowance		234	261	264	-	-	-	264	280	296
Cell phone allowance		113	60	66	-	-	-	69	73	77
Housing allowance		82	159	82	-	-	-	82	87	92
Performance Bonus		664	241	498	-	-	-	592	627	664
Other benefits or allowances		61	74	68	-	-	-	389	411	435
In-kind benefits		-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		5 629	6 699	6 830	-	-	-	8 676	9 188	9 720
% increase	4		19.0%	2.0%	(100.0%)	-	-	-	5.9%	5.8%
Other Municipal Staff										
Basic Salaries and Wages		18 561	16 106	15 701	-	-	-	22 192	23 501	24 864
Pension Contributions		2 389	2 268	2 469	-	-	-	3 221	3 411	3 609
Medical Aid Contributions		2 349	1 722	1 442	-	-	-	1 704	1 805	1 910
Motor vehicle allowance		34	25	17	-	-	-	17	18	19
Cell phone allowance		10	2	2	-	-	-	11	11	12
Housing allowance		-	-	7	-	-	-	-	-	-
Overtime		2 010	1 167	1 172	-	-	-	1 328	1 406	1 488
Performance Bonus		-	-	-	-	-	-	42	45	47
Other benefits or allowances		1 249	364	803	-	-	-	503	532	563
In-kind benefits		-	-	-	-	-	-	-	-	-
Sub Total - Other Municipal Staff		26 602	21 654	21 614	-	-	-	29 017	30 729	32 511
% increase	4		(18.6%)	(0.2%)	(100.0%)	-	-	-	5.9%	5.8%
Total Parent Municipality		37 103	33 232	33 831	-	-	-	44 065	46 665	49 372
			(10.4%)	1.8%	(100.0%)	-	-	-	5.9%	5.8%
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		37 103	33 232	33 831	-	-	-	44 065	46 665	49 372
% increase	4		(10.4%)	1.8%	(100.0%)	-	-	-	5.9%	5.8%
TOTAL MANAGERS AND STAFF	5	32 232	28 353	28 444	-	-	-	37 693	39 916	42 232

MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

EC138 Sakhisizwe - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)								
Disclosure of Salaries, Allowances & Benefits 1.	Ref	No. 10	Salary	Contrib. 1.	Allowances	Performance Bonuses	In-kind benefits 2.	Total Package 3.
Rand per annum								
Councillors	4							
Speaker	5		283 694		22 800			306 494
Chief Whip								-
Executive Mayor			795 913		22 800			818 713
Deputy Executive Mayor								-
Executive Committee			1 030 170		63 168			1 093 338
Total for all other councillors			2 240 628		228 000			2 468 628
Total Councillors	9	-	4 350 405	-	336 768			4 687 173
Senior Managers of the Municipality	6							
Municipal Manager (MM)			1 042 789	476 551	1 846 940	173 101		3 539 381
Chief Finance Officer			767 195	131 070	127 282	133 865		1 159 411
Manager - Community Services			953 241	1 785	53 674	61 647		1 070 346
Manager - Strategic Services			631 555	121 569	-	-		753 125
Manager - Technical Services			1 023 602	1 785	72 000	105 593		1 202 979
Manager - IPED			214 200	-	3 000	-		217 200
Manager - Corporate Services			966 745	1 785	72 000	118 281		1 158 810
<i>List of each official with packages >= senior manager</i>								
Communication Manager			-	-	-			-
								-
								-
Total Senior Managers of the Municipality	9	-	5 599 327	734 545	2 174 895	592 485	-	9 101 252
A Heading for Each Entity	7, 8							
List each member of board by designation								
Chief Executive Officer (CEO)								-
								-
Total for municipal entities	9	-	-	-	-	-	-	-

MBRR SA24 – Summary of personnel numbers

EC138 Sakhisizwe - Supporting Table SA24 Summary of personnel numbers											
Summary of Personnel Numbers		Ref	2015/2016			Current Year 2016/2017			Budget Year 2017/18		
Number		1	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities											
Councillors (Political Office Bearers plus Other Councillors)			17		17	17		17	17		
Board Members of municipal entities	3										
Municipal employees											
Municipal Manager and Senior Managers	4										
	2		10		10	8		8	8		8
Other Managers	6		2		2	2		2	2		2
Professionals			1	–	1	1	–	1	1	–	1
Finance			1		1	1		1	1		1
Spatial/town planning											
Information Technology											
Roads											
Electricity											
Water											
Sanitation											
Refuse											
Other											
Technicians			6	6	–	5	5	–	5	5	–
Finance											
Spatial/town planning											
Information Technology			2	2		1	1		1	1	
Roads			2	2		2	2		2	2	
Electricity			2	2		2	2		2	2	
Water				–			–			–	
Sanitation				–			–			–	
Refuse				–			–			–	
Other			110	110		109	109		102	102	
Clerks (Clerical and administrative)			25	25		25	25		25	25	
Service and sales workers				–			–			–	
Skilled agricultural and fishery workers				–			–			–	
Craft and related trades				–			–			–	
Plant and Machine Operators			5	5		7	7		15	15	
Elementary Occupations											
TOTAL PERSONNEL NUMBERS			176	146	30	174	146	28	175	147	11

1.16 Monthly targets for revenue, expenditure and cash flow

MBRR SA25 - Budgeted monthly revenue and expenditure

EC138 Sakhisizwe - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source																
Property rates		454	454	454	454	454	454	454	454	454	454	454	454	5 452	5 773	6 108
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		949	949	949	949	949	949	949	949	949	949	949	4 640	15 076	15 965	16 891
Service charges - water revenue													1 077	1 077	1 141	1 207
Service charges - sanitation revenue													855	855	905	958
Service charges - refuse revenue		308	308	308	308	308	308	308	308	308	308	308	1 117	4 500	4 766	4 911
Service charges - other													-	-	-	-
Rental of facilities and equipment		90	90	90	90	90	90	90	90	90	90	90	(952)	36	38	40
Interest earned - external investments		71	71	71	71	71	71	71	71	71	71	71	(784)	-	-	-
Interest earned - outstanding debtors		375	375	375	375	375	375	375	375	375	375	375	(3 116)	1 009	1 072	1 138
Dividends received		-	-	-	-	-	-	-	-	-	-	-	62 793	62 793	63 668	64 710
Fines		3	3	3	3	3	3	3	3	3	3	3	31 638	31 670	20 359	21 613
Licences and permits		-	-	-	-	-	-	-	-	-	-	-	3 690	3 690	3 907	4 134
Agency services		84	84	84	84	84	84	84	84	84	84	84	(925)	-	-	-
Transfers recognised - operational		29 314	1 043	1 043	1 423	27 667	1 043	1 043	1 053	27 677	1 053	1 053	(93 410)	-	-	-
Other revenue		307	307	307	307	307	307	307	307	307	307	307	(3 382)	-	-	-
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		31 955	3 684	3 684	4 064	30 308	3 684	3 684	3 694	30 318	3 694	3 694	3 694	126 157	117 593	121 710
Expenditure By Type																
Employee related costs		3 145	3 145	3 145	3 145	3 145	3 187	4 783	3 145	3 145	3 145	3 145	3 145	39 416	40 006	42 327
Remuneration of councillors		531	531	531	531	531	531	531	531	531	531	531	531	6 373	6 749	7 140
Debt impairment		625	625	625	625	625	625	625	625	625	625	625	625	7 500	7 943	8 403
Depreciation & asset impairment		566	566	566	566	566	566	566	566	566	566	566	566	6 788	7 188	7 590
Finance charges		35	35	35	35	35	35	35	35	35	35	35	35	424	449	460
Bulk purchases		773	773	773	773	773	773	773	773	773	773	773	773	9 278	9 825	10 395
Other materials		185	185	185	185	185	185	185	185	185	185	185	185	2 218	2 349	2 485
Contracted services		168	168	168	168	168	168	168	168	168	168	168	168	2 015	2 134	2 226
Transfers and grants		218	218	218	218	218	218	218	228	228	275	228	228	2 712	1 700	1 700
Other expenditure		2 945	2 406	2 185	1 905	1 905	1 945	1 823	1 953	1 883	1 883	1 883	1 883	24 600	23 775	25 152
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		9 190	8 651	8 431	8 151	8 151	8 233	9 707	8 209	8 139	8 186	8 139	8 139	101 324	102 118	107 880
Surplus/(Deficit)		22 765	(4 967)	(4 746)	(4 086)	22 157	(4 549)	(6 023)	(4 515)	22 179	(4 492)	(4 445)	(4 445)	24 832	15 475	13 830
Transfers recognised - capital													-			
Contributions recognised - capital													-			
Contributed assets													-			
Surplus/(Deficit) after capital transfers & contributions		22 765	(4 967)	(4 746)	(4 086)	22 157	(4 549)	(6 023)	(4 515)	22 179	(4 492)	(4 445)	(4 445)	24 832	15 475	13 830
Taxation													-			
Attributable to minorities													-			
Share of surplus/ (deficit) of associate													-			
Surplus/(Deficit)	1	22 765	(4 967)	(4 746)	(4 086)	22 157	(4 549)	(6 023)	(4 515)	22 179	(4 492)	(4 445)	(4 445)	24 832	15 475	13 830

MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

EC138 Sakhisizwe - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Standard																
Governance and administration		22 280	769	769	769	20 633	769	769	769	20 633	769	769	769	70 463	72 927	74 383
Executive and council		1 123	–	–	–	1 123	–	–	–	1 123	–	–	–	3 368	3 535	3 702
Budget and treasury office		21 156	767	767	767	19 509	767	767	767	19 509	767	767	692	67 005	69 312	70 597
Corporate services		1	1	1	1	1	1	1	1	1	1	1	76	90	79	8
Community and public safety		1 287	1 287	1 287	1 667	1 287	1 287	1 287	1 287	1 287	1 287	1 287	1 287	15 827	3 501	3 704
Community and social services		6	6	6	386	6	6	6	6	6	6	6	6	449	453	479
Sport and recreation		1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	(11 459)			
Public safety		236	236	236	236	236	236	236	236	236	236	236	236	2 828	2 995	3 169
Housing		4	4	4	4	4	4	4	4	4	4	4	4	50	53	56
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services		6 927	168	168	168	6 927	168	168	178	6 937	178	178	178	22 344	22 609	23 989
Planning and development		6 843	84	84	84	6 843	84	84	94	6 853	94	94	94	21 337	21 542	22 861
Road transport		84	84	84	84	84	84	84	84	84	84	84	84	1 007	1 067	1 128
Environmental protection													–			
Trading services		1 460	1 460	1 460	1 460	1 460	1 460	1 460	1 460	1 460	1 460	1 460	1 460	17 523	18 557	19 633
Electricity		994	994	994	994	994	994	994	994	994	994	994	994	11 931	12 635	13 368
Water		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management		466	466	466	466	466	466	466	466	466	466	466	466	5 591	5 921	6 265
Other													–	–	–	–
Total Revenue - Standard		31 955	3 684	3 684	4 064	30 308	3 684	3 684	3 694	30 318	3 694	3 694	3 694	126 157	117 593	121 710
Expenditure - Standard																
Governance and administration		4 796	4 741	4 339	4 241	4 241	4 298	5 796	4 217	4 217	4 264	4 217	1 590	50 958	49 945	52 711
Executive and council		1 785	2 188	1 688	1 688	1 688	1 688	3 242	1 664	1 664	1 664	1 664	(3 485)	17 138	16 414	17 364
Budget and treasury office		2 139	1 708	1 750	1 708	1 708	1 725	1 708	1 708	1 708	1 755	1 708	(521)	18 802	17 643	18 568
Corporate services		871	845	901	845	845	885	845	845	845	845	845	5 597	15 018	15 888	16 778
Community and public safety		702	613	641	613	613	626	614	684	614	614	614	1 732	8 679	9 191	9 709
Community and social services		330	314	314	314	314	325	314	384	314	314	314	1 432	4 986	5 281	5 572
Sport and recreation		3	3	3	3	3	3	5	5	5	5	5	5	44	47	49
Public safety		322	251	279	251	251	251	251	251	251	251	251	251	3 106	3 289	3 480
Housing		48	45	45	45	45	48	45	45	45	45	45	45	543	575	608
Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services		1 435	1 253	1 323	1 253	1 253	1 256	1 253	1 263	1 263	1 263	1 263	2 773	16 853	16 682	17 649
Planning and development		519	440	468	440	440	440	440	450	450	450	450	1 960	6 949	6 195	6 554
Road transport		916	813	855	813	813	815	813	813	813	813	813	813	9 903	10 487	11 096
Environmental protection													–			
Trading services		2 257	2 044	2 128	2 044	2 044	2 053	2 044	2 044	2 044	2 044	2 044	2 044	24 835	26 300	27 810
Electricity		1 281	1 186	1 214	1 186	1 186	1 186	1 186	1 186	1 186	1 186	1 186	1 186	14 360	15 208	16 090
Water		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management		976	858	914	858	858	867	858	858	858	858	858	858	10 474	11 092	11 721
Other													–	–	–	–
Total Expenditure - Standard		9 190	8 651	8 431	8 151	8 151	8 233	9 707	8 209	8 139	8 186	8 139	8 139	101 324	102 118	107 880
Surplus/(Deficit) before assoc.		22 765	(4 967)	(4 746)	(4 086)	22 157	(4 549)	(6 023)	(4 515)	22 179	(4 492)	(4 445)	(4 445)	24 832	15 475	13 830
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	22 765	(4 967)	(4 746)	(4 086)	22 157	(4 549)	(6 023)	(4 515)	22 179	(4 492)	(4 445)	(4 445)	24 832	15 475	13 830

BRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

EC138 Sakhisizwe - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)																
Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote																
Vote1 - Executive & Council		1 123	–	–	–	1 123	–	–	–	1 123	–	–	–	3 368	3 535	3 702
Vote2 - Finance & Administration		21 157	769	769	769	19 510	769	769	769	19 510	769	769	769	67 095	69 392	70 681
Vote3 - Planning & Development		6 843	84	84	84	6 843	84	84	94	6 853	94	94	94	21 337	21 542	22 861
Vote4 - Housing		4	4	4	4	4	4	4	4	4	4	4	4	50	53	56
Vote5 - Public Safety		236	236	236	236	236	236	236	236	236	236	236	236	2 828	2 995	3 169
Vote6 - Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote7 - Community Services		6	6	6	386	6	6	6	6	6	6	6	6	449	453	479
Vote8 - Sport & Recreation		1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	12 501	1	1
Vote9 - Waste Management		466	466	466	466	466	466	466	466	466	466	466	466	5 591	5 921	6 265
Vote10 - Road Transport		84	84	84	84	84	84	84	84	84	84	84	84	1 007	1 067	1 128
Vote11 - Electricity		994	994	994	994	994	994	994	994	994	994	994	994	11 931	12 635	13 368
Vote12 - Water		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote13 - Waste Water Management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Example 14 - Vote14																
Example 15 - Vote15																
Total Revenue by Vote		31 955	3 684	3 684	4 064	30 308	3 684	3 684	3 694	30 318	3 694	3 694	3 694	126 157	117 593	121 710
Expenditure by Vote to be appropriated																
Vote1 - Executive & Council		1 785	2 188	1 688	1 688	1 688	1 688	3 242	1 664	1 664	1 664	1 664	1 664	22 287	21 867	23 134
Vote2 - Finance & Administration		3 011	2 553	2 651	2 553	2 553	2 610	2 553	2 553	2 553	2 600	2 553	2 553	31 298	30 860	32 520
Vote3 - Planning & Development		519	440	468	440	440	440	440	450	450	450	450	450	5 440	4 596	4 862
Vote4 - Housing		48	45	45	45	45	48	45	45	45	45	45	45	543	575	608
Vote5 - Public Safety		322	251	279	251	251	251	251	251	251	251	251	251	3 106	3 289	3 480
Vote6 - Health		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote7 - Community Services		330	314	314	314	314	325	314	384	314	314	314	314	3 869	4 097	4 320
Vote8 - Sport & Recreation		3	3	3	3	3	3	5	5	5	5	5	5	44	47	49
Vote9 - Waste Management		976	858	914	858	858	867	858	858	858	858	858	858	10 474	11 092	11 721
Vote10 - Road Transport		916	813	855	813	813	815	813	813	813	813	813	813	9 903	10 487	11 096
Vote11 - Electricity		1 281	1 186	1 214	1 186	1 186	1 186	1 186	1 186	1 186	1 186	1 186	1 186	14 360	15 208	16 090
Vote12 - Water		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote13 - Waste Water Management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Example 14 - Vote14																
Example 15 - Vote15																
Total Expenditure by Vote		9 190	8 651	8 431	8 151	8 151	8 233	9 707	8 209	8 139	8 186	8 139	8 139	101 324	102 118	107 880
Surplus/(Deficit) before assoc.		22 765	(4 967)	(4 746)	(4 086)	22 157	(4 549)	(6 023)	(4 515)	22 179	(4 492)	(4 445)	(4 445)	24 832	15 475	13 830
Tax ation													–	–	–	–

MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

EC138 Sakhisizwe - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)																
Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Multi-year expenditure to be appropriated	1															
Vote1 - Excecutive & Council		18	9	-	-	-	-	-	-	-	-	-	73	100	106	112
Vote2 - Finance & Administration		45	23	-	-	-	-	-	-	-	-	-	181	250	265	280
Vote3 - Planning & Development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote4 - Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote5 - Public Safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote6 - Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote7 - Community Services		-	-	-	-	-	233	233	-	-	-	-	2 333	2 800	-	-
Vote8 - Sport & Recreation		-	-	-	-	-	-	-	-	-	-	-	12 500	12 500	-	-
Vote9 - Waste Management		182	93	-	-	-	-	-	-	-	-	83	642	1 000	1 059	1 120
Vote10 - Road Transport		3 684	1 897	-	1 233	1 233	-	-	-	-	-	-	6 763	14 810	21 441	22 762
Vote11 - Electricity		2	1	-	-	-	-	-	-	-	-	-	7	10	11	11
Vote12 - Water		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote13 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Example 14 - Vote14													-			
Example 15 - Vote15													-			
Capital multi-year expenditure sub-total	2	3 931	2 024	-	1 233	1 233	233	233	-	-	-	83	22 499	31 470	22 881	24 286
Single-year expenditure to be appropriated																
Vote1 - Excecutive & Council		8	8	8	8	8	8	8	8	8	8	8	8	100	106	112
Vote2 - Finance & Administration		21	21	21	21	21	21	21	21	21	21	21	21	250	265	280
Vote3 - Planning & Development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote4 - Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote5 - Public Safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote6 - Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote7 - Community Services		233	233	233	233	233	233	233	233	233	233	233	233	2 800	-	-
Vote8 - Sport & Recreation		1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	12 500	-	-
Vote9 - Waste Management		-	-	-	-	-	-	-	-	-	-	-	1 000	1 000	1 059	1 120
Vote10 - Road Transport		1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	14 810	21 441	22 762
Vote11 - Electricity		1	1	1	1	1	1	1	1	1	1	1	1	10	11	11
Vote12 - Water		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote13 - Waste Water Management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Example 14 - Vote14													-			
Example 15 - Vote15													-			
Capital single-year expenditure sub-total	2	2 539	2 539	2 539	2 539	2 539	2 539	2 539	2 539	2 539	2 539	2 539	3 539	31 470	22 881	24 286
Total Capital Expenditure	2	6 470	4 563	2 539	3 773	3 773	2 773	2 773	2 539	2 539	2 539	2 623	26 038	62 940	45 762	48 572

MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

EC138 Sakhisizwe - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)																
Description	Ref	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital Expenditure - Standard	1															
Governance and administration		29	29	29	29	29	29	29	29	29	29	29	29	350	371	392
Executive and council		8	8	8	8	8	8	8	8	8	8	8	8	100	106	112
Budget and treasury office		21	21	21	21	21	21	21	21	21	21	21	21	250	265	280
Corporate services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and public safety		1 275	1 275	1 275	1 275	1 275	1 275	1 275	1 275	1 275	1 275	1 275	1 275	15 300	-	-
Community and social services		233	233	233	233	233	233	233	233	233	233	233	233	2 800	-	-
Sport and recreation		1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	1 042	12 500	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services		1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	14 810	21 441	22 762
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport		1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	1 234	14 810	21 441	22 762
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading services		1	1	1	1	1	1	1	1	1	1	1	1 001	1 010	1 070	1 132
Electricity		1	1	1	1	1	1	1	1	1	1	1	1	10	11	11
Water		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-	1 000	1 000	1 059	1 120
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	2	2 539	2 539	2 539	2 539	2 539	2 539	2 539	2 539	2 539	2 539	2 539	3 539	31 470	22 881	24 286

MBRR SA30 - Budgeted monthly cash flow

EC138 Sakhisizwe - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS													Medium Term Revenue and Expenditure		
R thousand	Budget Year 2017/18												Budget Year	Budget Year	Budget Year
	July	August	Sept.	October	November	December	January	February	March	April	May	June	2017/18	+1 2018/19	+2 2019/20
Cash Receipts By Source													1		
Property rates	454	454	454	454	454	454	454	454	454	454	454	454	5 452	5 773	6 108
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	949	949	949	949	949	949	949	949	949	949	949	949	11 385	12 056	12 756
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	308	308	308	308	308	308	308	308	308	308	308	308	3 691	3 909	4 135
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	90	90	90	90	90	90	90	90	90	90	90	90	1 077	1 141	1 207
Interest earned - external investments	71	71	71	71	71	71	71	71	71	71	71	71	855	905	958
Interest earned - outstanding debtors	375	375	375	375	375	375	375	375	375	375	375	375	4 500	4 766	4 911
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	3	3	3	3	3	3	3	3	3	3	3	3	36	38	40
Licences and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agency services	84	84	84	84	84	84	84	84	84	84	84	84	1 009	1 072	1 138
Transfer receipts - operational	21 882	1	1	381	20 235	1	1	11	20 245	11	11	11	62 793	63 668	64 710
Other revenue	307	307	307	307	307	307	307	307	307	307	307	307	3 690	3 907	4 134
Cash Receipts by Source	24 523	2 642	2 642	3 022	22 876	2 642	2 642	2 652	22 886	2 652	2 652	2 652	94 487	97 235	100 096
Other Cash Flows by Source															
Transfer receipts - capital	7 432	1 042	1 042	1 042	7 432	1 042	1 042	1 042	7 432	1 042	1 042	1 042	31 670	20 359	21 613
Contributions recognised - capital & Contributed assets												-			
Proceeds on disposal of PPE												-			
Short term loans												-			
Borrowing long term/refinancing	119	119	119	119	119	119	119	119	119	119	119	119	1 422	1 337	1 257
Increase (decrease) in consumer deposits												-			
Decrease (Increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
Total Cash Receipts by Source	32 073	3 803	3 803	4 183	30 426	3 803	3 803	3 813	30 436	3 813	3 813	3 813	127 579	118 930	122 966

Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

1.17 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

SA36 - Detailed capital budget per municipal vote

Sakhisizwe Municipality

EC138 Sakhisizwe - Supporting Table SA36 Detailed capital budget													
Municipal Vote/Capital project	Ref	Program/Project description	Project number	IDP Goal code 3.	Asset Class 4.	Asset Sub-Class 4.	Total Project Estimate	Prior year outcomes		2017/18 Medium Term Revenue &			Project info
R thousand	5							Audited Outcome 2015/2016	Current Year 2016/17 Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20	Ward location
Parent municipality:													
<i>List all capital projects grouped by Municipal Vote</i>													
					Examples	Examples							
Office Furniture & Equipment										350	350	350	
Computer Equipment										150	150	150	
Walker Stalls										2 500	2 500	2 500	
Sportsfields										1 562	1 653	1 749	
Roads & Stormwater										12 610	20 375	21 333	
Electricity										2 010	11	11	
Total Capital expenditure	1									19 182	25 039	26 092	
Entities:													
<i>List all capital projects grouped by Entity</i>													
Entity A													
Water project A													
Entity B													
Electricity project B													
Total Capital expenditure	2									-	-	-	

1.18 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns three has been appointed permanently. In the remaining three two are in service and undergoing Finance Management training. Since the introduction of the Internship programme the Municipality has successfully employed and trained all interns that have been in our service.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2017/18 MTREF in May 2017 directly aligned and informed by the 2017/18 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is on-going.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

BRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Sakhisizwe Municipality

EC138 Sakhisizwe - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)																
Description	Ref	Vote1 -	Vote2 -	Vote3 -	Vote4 -	Vote5 -	Vote6 -	Vote7 -	Vote8 - Sport	Vote9 -	Vote10 -	Vote11 -	Vote12 -	Vote13 -	Example 14 -	Example 15 -
R thousand	1	Executive &	Finance &	Planning &	Housing	Public Safety	Health	Community	& Recreation	Waste	Road	Electricity	Water	Waste Water	Vote14	Vote15
Revenue By Source																
Property rates		-	5 452	-	-	-	-	-	-	-	-	-	-	-		
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-		
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	11 385	-	-		
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	-		
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	-	-		
Service charges - refuse revenue		-	-	-	-	-	-	-	-	3 691	-	-	-	-		
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-		
Rental of facilities and equipment		-	70	-	-	-	-	-	-	-	1 007	-	-	-		
Interest earned - external investments		-	855	-	-	-	-	-	-	-	-	-	-	-		
Interest earned - outstanding debtors		-	2 100	-	-	-	-	-	-	1 900	-	500	-	-		
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-		
Fines		-	-	-	-	35	-	1	-	-	-	-	-	-		
Licences and permits		-	-	-	-	-	-	-	-	-	-	-	-	-		
Agency services		-	-	1 009	-	-	-	-	-	-	-	-	-	-		
Other revenue		-	731	-	50	2 793	-	68	1	1	-	47	-	-		
Transfers recognised - operational		3 368	57 887	20 328	-	-	-	380	12 500	-	-	-	-	-		
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Revenue (excluding capital transfers and contributions)		3 368	67 095	21 337	50	2 828	-	449	12 501	5 591	1 007	11 931	-	-	-	-
Expenditure By Type																
Employee related costs		10 314	10 839	3 340	526	2 162	-	2 982	2	5 839	2 427	983	-	-		
Remuneration of councillors		6 373	-	-	-	-	-	-	-	-	-	-	-	-		
Debt impairment		-	4 500	-	-	-	-	0	-	2 200	-	800	-	-		
Depreciation & asset impairment		68	1 125	110	-	80	-	560	-	70	4 500	275	-	-		
Finance charges		143	2	2	-	4	-	-	-	240	0	33	-	-		
Bulk purchases		-	-	-	-	-	-	-	-	-	-	9 278	-	-		
Other materials		37	305	-	-	100	-	140	30	126	1 000	480	-	-		
Contracted services		100	1 115	-	-	300	-	-	-	-	300	200	-	-		
Transfers and grants		-	1 762	950	-	-	-	-	-	-	-	-	-	-		
Other expenditure		5 252	11 649	1 037	16	460	-	187	12	2 000	1 676	2 312	-	-		
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Expenditure		22 287	31 298	5 440	543	3 106	-	3 869	44	10 474	9 903	14 360	-	-	-	-
Surplus/(Deficit)		(18 919)	35 797	15 897	(493)	(278)	-	(3 420)	12 456	(4 883)	(8 896)	(2 429)	-	-	-	-
Transfers recognised - capital																
Contributions recognised - capital																
Contributed assets																
Surplus/(Deficit) after capital transfers & contributions		(18 919)	35 797	15 897	(493)	(278)	-	(3 420)	12 456	(4 883)	(8 896)	(2 429)	-	-	-	-

MBRR Table SA3 – Supporting detail to Statement of Financial Position

Sakhisizwe Municipality

EC138 Sakhisizwe - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2013/2014	2014/2015	2015/2016	Current Year 2016/2017				2017/18 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Call investment deposits											
Call deposits < 90 days		11 743	4 537	-	1 000	1 000	1 000	1 000	1 000	1 059	1 120
Other current investments > 90 days											
Total Call investment deposits	2	11 743	4 537	-	1 000	1 000	1 000	1 000	1 000	1 059	1 120
Consumer deposits											
Consumer deposits		49 087	55 343	34 762	36 986	36 986	36 986	36 986	39 242	41 558	43 968
Less: Provision for debt impairment		(45 713)	(49 703)	(32 840)	(32 840)	(32 840)	(32 840)	(32 840)	(34 843)	(36 899)	(39 039)
Total Consumer Deposits	2	3 374	5 640	1 922	4 147	4 147	4 147	4 147	4 400	4 659	4 929
Debt impairment provision											
Balance at the beginning of the year		15 800	-	-	-	-	-	-	-	-	-
Contributions to the provision		33 288	-	-	-	-	-	-	-	-	-
Bad debts written off		-	-	-	-	-	-	-	-	-	-
Balance at end of year		49 087	-	-	-	-	-	-	-	-	-
Property Plant & Equipment (PPE)											
PPE at cost/v aluation (excl. finance leases)		120 411	171 155	171 155	182 109	182 109	182 109	182 109	193 217	204 617	216 485
Leases recognised as PPE	3										
Less: Accumulated depreciation		25 916	-	-	-	-	-	-	-	-	-
Total Property Plant & Equipment	2	94 494	171 155	171 155	182 109	182 109	182 109	182 109	193 217	204 617	216 485
LIABILITIES											
Current liabilities: Borrowings											
Short term loans (other than bank overdraft)		7 132	4 991	4 991	5 000	5 000	5 000	5 000	2 967	2 373	1 899
Current portion of long-term liabilities		-	-	-	-	-	-	-	-	-	-
Total Current Liabilities		7 132	4 991	4 991	5 000	5 000	5 000	5 000	2 967	2 373	1 899
Trade and other Payables											
Trade and other creditors		8 665	14 189	6 557	6 976	6 976	6 976	6 976	7 402	7 839	8 293
Unspent conditional transfers		8 378	2 647	7 632	8 121	8 121	8 121	8 121	8 616	9 125	9 654
VAT		-	-	-	-	-	-	-	-	-	-
Total Trade and other Payables	2	17 043	16 836	14 189	15 097	15 097	15 097	15 097	16 018	16 963	17 947
Non current Liabilities: Borrowings											
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Finance leases (including PPP asset element)		2 203	2 488	3 189	3 393	3 393	3 393	3 393	3 600	3 813	4 034
Total non current Liabilities: Borrowings		2 203	2 488	3 189	3 393	3 393	3 393	3 393	3 600	3 813	4 034
Provisions: Non Current											
Retirement benefits		68	2 259	2 448	2 604	2 604	2 604	2 604	2 763	2 926	3 096
List other major provision items											
Refuse landfill site rehabilitation		2 323	1 660	1 533	1 631	1 631	1 631	1 631	1 730	1 832	1 938
Other		-	-	-	-	-	-	-	-	-	-
Total Provisions: Non Current		2 391	3 919	3 980	4 235	4 235	4 235	4 235	4 493	4 759	5 035
CHANGES IN NET ASSETS											
Accumulated Surplus & (Deficit):											
Accumulated Surplus & (Deficit): Opening Balance											
GRAP adjustments											
Restated balance		-	-	-	-	-	-	-	-	-	-
Surplus / (Deficit)		(10 825)	15 700	8 813	-	13 892	13 892	35 215	25 132	15 792	14 166
Accumulated Surplus/(Deficit)	1	(10 825)	15 700	8 813	-	13 892	13 892	35 215	25 132	15 792	14 166
Reserves											
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	(10 825)	15 700	8 813	-	13 892	13 892	35 215	25 132	15 792	14 166

MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Description of economic indicator	Ref.	Basis of calculation	1996 Census	2007 Survey	2001 Census	2013/2014	2014/2015	2015/2016	Current Year 2016/2017	2017/18 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics												
Population					64							
Females aged 5 - 14					11							
Males aged 5 - 14					11							
Females aged 15 - 34					8							
Males aged 15 - 34					9							
Unemployment					37							



1.19 Municipal Manager's quality certificate

I, Municipal Manager of Sakhisizwe Municipality, hereby certify that the annual draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Sakhisizwe Municipality (EC138)

Signature _____

Date _____